FINANCIALTIMES

World News

Kaifu is

favourite to win Tokyo leadership

Toshiki Kaifu, a former education minister, seems almost certain to win the leadership election of the ruling Liberal Democratic Party to become Japan's third prime minister this year.

Communist poll setback The Hungarian opposition has scored by-election triumphs which would spell massive defeat for the ruling commu-nists if repeated in free nation-wide polls. Page 14

Marie La

The state of the s

Major to visit Hong Kong Mr John Major, the British Foreign Secretary, intends to visit Hong Kong for talks with politicians and community leaders, the Government con-firmed yesterday.

Rockets greet Shevardnadze Eduard Shevardnadze, the Soviet foreign minister, arrived in Kabul for two days of talks with the Moscow-backed gov-ernment amid heavy rebei rocket attacks.

Sri Lankan monk killed A Buddhist monk and 55 people died in Sri Lanka in two days of fighting between left wing rebels and pro-government militia.

Greenpeace A-bomb protest Greenpeace activists protesting against nuclear tests threw a mock bomb into the eastern rate the atomic bomb attack on Hiroshima.

Banks eye Mexico deal A group of Mexico's commer-cial bank lenders is trying to put together up to \$500m in standby financing to provide support in case oil prices fall. Page 19

Philippines requests \$1.7ba The Philippines will ask for new loans and debt relief to help bridge a \$1.7bn financing gap when it opens debt talks with foreign banks in New

York on Tuesday. Bangladesh flood toll up President Hossain Mohammad Ershad of Bangladesh visited northeastern parts of the country where more than 200 people have died and half a million people have been stranded in

recent floods. Mozambique debt troubles Mozambique says it cannot pay back its foreign debt of over \$4bn and wants more Western creditors to write off parts of it or agree to easier

Bhutto ally arrested A senior member of Prime Minister Benazir Bhutto's Pakistan People's Party was arrested in the opposition-ruled Punjab. deepening the rift between her Government and the opposi-

Commonwealth ponders SA Eight Commonwealth foreign ministers meet in Canberra to discuss intensified sanctions against the South African government amid mounting con-troversy over proposed cricket and rugby tours.

Nato calls for Soviet cuts Manfred Woerner, Nato Sec-retary General, called on the Soviet Union to cut military spending or face failure in its social and economic reform

West Bank violence resumes An Israeli soldier was set briefly on fire when Palestinians hurled Molotov cocktails at a patrol in Nablus in the occupied West Bank ending

Soviet sub skipper blamed A Soviet inquiry into the sinking of a nuclear submarine in April blamed the disaster on the sub's captain and "a whole series of technical imperfections in different systems of the submarine".

Kords protest in Paris Kordish demonstrators climbed part of the Eiffel Tower in Paris to protest against Turkey's alleged mistreatment of Kurds."

Court to rule on abortion A Quebec court will decide whether a Quebec woman can end her pregnancy or whether a former lover has the right to prevent her.

Boost for Lik tourism Tourism investment in England in the first six months of 1989 rose by 40 per cent over the first half of last year to reach £3.34bn and follow publication of figures showing Britain is beading for a record year in tourism.

Jefferson Smurfit to combine US operations

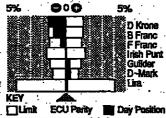
JEFFERSON SMURFIT, Irish packaging group, is combining its main US paper and paper-board operations in a highly leveraged deal which could net it about \$1 m in profits.

Morgan Stanley, blue-chip Wall Street investment bank which is in a joint venture with Smurfit, will book a profit of \$140m on the deal. Page 14

EUROPEAN Monetary Sys-

SUBOPEAN Monetary Sys-tem: The strength of the Span-ish peseta in the EMS prompted a comment from the Danish Central Bank last week on the relationship between the peseta and the weakest placed Danish krone. The Dan-ish authorities indicated there was no need for action and "still a lot of room" before the limit of DKr6.231 per 100 pese-tas was reached. The rate last week was around DKr6.20 per 100, with the pesets over 5.50 per cent up from its EMS central rate, against an allowed limit of 6 per cent.

August 4,1989 GRID 000 1 225 B Franc F Franc Irish Punt 12.31 ECU DIVERGENCE



The chart shows the two constraints on European Monetary System rates. The upper grid, based on the weakest currency in the system, defines the cross-rates from which no currency (except the lira and Spanish peseta) may move more than 24 per cent. The lower chart aines each currency's divergence from the "central rate" against the European Currency Unit (ECU), a basket of European

GRUPO TORRAS, Spanish industrial holding company in which Kuwait Industrial Office has a 40 per cent stake, reported 82 per cent rise in pre-tax profits to Pta8.95bn (\$75m) for first half 1989 from Pta4.91bn a year ago. Earnings per share rose 36 per cent to Pta91 from Pta67. Page 19 SUN MICROSYSTEMS, US

workstation company, will announce a manufacturing agreement with Philips of the tors in which the Dutch company will make chips based on Sparc technology it will license from Sun. Page 19 WARD WHITE chairman

and managing director Philip Birch is likely to come under growing pressure this week to produce alternatives to a bid from Boots, the UK's retail chemist and pharmaceutical group, valuing the do-it-your-self retailer at £900m (\$1.45bn).

NUCLEAR REACTORS: UK Government faces renewed pressure from the electricity industry to take the main financial resposibility for Britain's newer nuclear plant, the troubled Advance Gas-

nology company, reported increased fourth-quarter losses of \$14.3m against \$9.37m a year earlier, boosting the loss for the year ended June 30 to \$49.9m from \$22.6m in 1988.

Page 19 PRIME COMPUTER, Massachusetts minicomputer group which spent most of the last year fighting a \$1.1hn bid from MAI Basic Four, a smaller computer company, suffered a fur-ther setback when J.H. Whitney, the venture capital company which had agreed to white knight leveraged buy-out to rescue Prime said it was reducing its \$21.50-a-share cash

offer to \$20. Page 19
LLOYDS Bank, of the UK,
says banks may have become over-exposed in lending to the UK property sector. Page 6
PAN AM Corp. parent of struggling Pan American World Airways, reported sec-

earlier. Page 19
AFP, Australian-owned investment group which controls Gestetner in the UK, has won effective control of three Australian companies which are part of Chase Corporation, the troubled New Zealand

Kidnappers offer to free hostage in exchange deal

A PRO-IRANIAN group in Lebanon announced last night that it was prepared to free Mr Joseph Cicippio, the US hostage, if Israel released both the Shia Moslem leader it kidnapped 10 days ago and a further 450 Argh, prisoners ther 450 Arab prisoners.
Although Israel is certain to

reject the proposal in its present form, the offer by the Revolutionary Justice Organisation implies that at least some of the kidnappers are ready to negotiate an end to the hostage

In a statement issued in Beirut, the kidnappers offered to free Mr Cicippio if Israel halted deportations of Palestinian activists and allowed those already expelled to return. They also insisted on the

return of Sheikh Abdul Karim Obeid, the Hizbollah leader whose capture by Israeli commandos precipitated the current crisis, and demanded the release of 150 Lebanese prisoners and 300 Palestinians held during the uprising in the Israeli-occupied territories. Israel has offered to

exchange Sheikh Obeid and some 300 Lebanese Shia Mos-lems in exchange for three cap-tured Israeli soldiers and all the Western hostages in Lebanon.
The Israeli Government has

ruled out any deal which excludes the Israeli captives held since 1986, but the kidnappers' statement did not men-tion them, indicating that lengthy negotiations lie ahead. Another US hostage, Lt Col William Higgins, was report-



Arens: arriving in Jerusalem yesterday to brief the cabinet

edly killed a week ago by his captors when Israel refused to release Sheikh Obeid. Mr Cicippio was threatened with death but reprieved after the US appealed to Iran to intervene with its Hizbollah proteges and deployed its naval forces in apparent readiness for military

Hizbollah, an Iranian-funded umbrella organisation thought to control most of the hostages, has drawn a distinction between the Western "hostages" and the Israeli "prison-

Beirut came after a day of conflicting signals about the prospects for an exchange of cap-tives. The US maintained its rescue the hostages.

Last night's statement in

military preparedness while pursuing diplomatic efforts to In Jerusalem, the Israeli cabinet heard reports on the hos-tage crisis from Mr Yitzhak

Rabin, the defence minister, and Mr Moshe Arens, the for-eign minister, at its regular Sunday meeting.
Israel is deliberately not

expanding on its stance beyond its offer of a prisoner exchange, something it has accomplished on a number of occasions in the past, usually after long and secret diplo-

macy.
Its position on the possibility of including Palestinians - as demanded by Hizbollah - is unclear. The Shia group has already named some Palestinians it wants freed, notably the man who forced a bus off the Jerusalem-Tel Aviv highway last month killing 16 people.

Mr Arens, answering criticisms of the Israeli kidnapping of Sheikh Obeid, said that if the US and Israel continued on their present course of talking and acting tough to the terror-ists and those who back them, of not giving into their demands, then I think we may not see many more abductions in the Middle East."

The Bush administration

over the weekend continued its intensive diplomatic efforts to free the hostages, particularly through the Algerians and other countries in the region, but was publicly offering a low profile.

President George Bush spent the weekend at Camp David in Maryland and other senior Cabinet offices were also out of Washington. Unusually there Continued on Page 14 Mediators' skill tested, Page 3

the event of a Sandinista

defeat at the polls.
Political observers in Mana-

have been surprised at the

extent of the concessions made

did not expect the call by the opposition for the Contras'

demobilisation and an addi-

tional appeal to foreign govern-ments not to interfere with the

This is a veiled reference to US Government plans to pro-

vide covert funding to opposi-

the Government. They also

ne Nicaragu

UK stalls Japan on bid for banking licences

By David Lascelles, Banking Editor, in London and lan Rodger in Tokyo

THE UK is stalling Japanese regional banks which want authorisation to operate branches or subsidiaries in London in an attempt to increase the pressure on Japan to open up its stock exchange

to foreign membership.

Although several UK houses have been allowed to join the Tokyo stock exchange, two major ones, Barclays de Zoete Wedd and James Capel, are still being kept out. The UK hoped to resolve this impasse at the recent summit of world leaders in Paris, when Mrs Margaret Thatcher, the Prime Minister, met her then opposite number, Mr Sousuke Uno. But no progress was made.

Although all major Japanese banks have a presence in London, there is a lengthening list of regional Japanese banks which are keen to obtain licences, and they are seen by the UK as a means of applying leverage on the Japanese authorities.

The pressure is being applied delicately – by discouraging Japanese banks from even seeking licences rather than formally turning down applications. The Bank of England, the official licensing authority, said last week there had been no formal applications for licences recently by Japanese banks. However, it is believed that several Japanese regional banks which made soundings at the Bank were told that the

time was not right.
One of them was Hyakujushi
Bank which wanted to buy Japan International Bank, a Japanese-owned London con-sortium bank. Other Japanese banks which want to have full branch operations in London include Hokuriku Bank and Chiba Bank

One bank which did recently obtain Bank of England approval was Yokohama Bank which bought Guinness Mahon, the merchant bank, in June. However Yokohama in London with a licence. The UK is not optimistic that

progress in obtaining more TSE seats will be quick. The tensions are part of the battle by the West for easier access to the Japanese market. Reciprocity has been used as the main weapon. In its previous phase, the UK barred the Japanese securities houses

from the UK gilt-edged market

until concessions were made.

Frustration rises with inflation in Poland's food shops

By John Lloyd in Warsaw

IN POLAND, shopping is not a part of life. It is life - in all its rawness, opportunities, disappointments and miseries Mainly its miseries.

It is impossible to understate the importance of shop-ping in Poland especially since prices were generally freed from subsidy on August 1. The price rises monopolise converpatients and another sations, grumblings and newspaper features. They have not yet caused riots, but they appear to have stirred up a threatening apathy.

The frustrations which shopping engenders may be the catalyst to impel the economy into market relations. It is, in truth, dreadful as I discovered last week. The main self-service stores serving the acres of tower blocks are dingy, empty of meat and vodka, sur-rounded by queues. People buy huge sunflower heads and chew the seeds as they shuffle about, looking for bargains. My guide, a university lec-turer, said she thought the rel-

ative abundance and cheapness of vegetables in some parts of Warsaw had dulled the impact of last week's price increases: come November, it would sink in.

Polish shopping means poor quality, narrow choice, rising prices, surly service and frac-tious queues. Polish shopping is envy, greed, frustration, anger and misery. Consumers of Poland, unite! You have nothing to lose but your

Speaking of which, eggs are up sharply this week: from around Zs20 to Zs80 each. Butter which cost Zs800 a kilo, now costs at least Zs1600. A jar of jam from the Tarczyn processing plant (the state's biggest) was about 2s200, now goes for Zs400.

As for meat - can you get it at all? The prices are still not high enough for the Polish farmers, who are bringing too few of their beasts to the state slaughter-houses, preferring to sell privately. There was no meat to be had at 1.30 on Fri-Supersam (self-service supermarket) in the central Mokotow district of Warsaw: but a queue of perhaps 150 men and women had formed, silent and nervy, for the meat delivery

Beside them, another queue (which was at least moving) waited to get into the main body of the store. Supersam regulates the number of cus-Continued on Page 14

Contra rebels lose political support

By Tim Coone, in Tela, Honduras

A 90-day timetable for the demobilisation of the USbacked Nicaraguan Contras appears to be an early likely result of the Central American presidential summit being held at the resort of Tela in Hondu-

Although few details of the discussions between the five summit have yet been released, the signing on Friday of an agreement in Nicaragua between the Government and 20 opposition parties calling for a demobilisation of the rightwing guerillas, has left the Contras without any internal political support for continued

armed struggle.
Dr Oscar Arias, the Costa Rican President who is one of the prime movers of the regional peace process, said on his arrival that he was "con-"national dialogue" agreement.
He expressed optimism that
a "gradual" demobilisation

He had said earlier in San Jose, Costa Rica, that the start could not wait until after next February's elections in Nicara-

plan could be agreed to by the

In Washington, the Bush Administration, however, has stated that it wished the Contras to remain as a latent threat in their Honduran sanctuaries as a means of putting pressure on the Nicaraguan Sandinista Government to carry out free and fair elec-

But that position does not police powers of arrest and now enjoy support even from an agreement to a constitu-tional reform permitting a han-dover of power 60 days after the elections instead of having to wait until November 1990 in the right-wing civilian opposition in Nicaragua as a result of last Friday's agreement.
In exchange for opposition support for the demobilisation

proposal, the Nicaraguan Government has made substantial ● a promise of a "broad and unconditional amnesty" for contra prisoners and collabora-

tors, which will take effect as the demobilisation plan is implemented; • a suspension of further recruiting for military service until after the February elec-

a weakening of a Public

Order Decree and reforms to legislation which will reduce

sional August recess prevailed

and the compromise was reluc-

tantly approved.
Roughly three-quarters of

the \$166bn will be borne by taxpayers. However, many members of the Congress

reckon that the eventual cost may be much higher and that

this will be unpopular with

infuriated key House commit-tee chairmen like Mr Dan Ros-

tenkowski of the ways and

means committee and Mr Leon

Panetta of the budget commit-

tee, producing strained rela-tions with the Administration prior to critical negotiations

next month over cuts in capital

gains tax and achieving the deficit reduction target for fis-

Before the recess started, both houses of Congress approved legislation temporar-

ily increasing the ceiling on

federal borrowings to prevent a default by the US Government

The eventual compromise

their constituents.

Congress clears \$166bn rescue of savings and loans industry

in the institutions and for per-

The rescue is necessary to fulfil past federal pledges of

will be used to pay off deposi-tors in insolvent institutions.

The approval came after a revolt by several leading Dem-

ocrats against a compromise

plan drawn up last Thursday which they claimed was a

device to hide the true cost of

The compromise put \$20bn of

the rescue and to mislead tax-

the rescue's initial cost on the

budget this year and \$30bn out-

side the normal budget calcula-

The decision to charge \$20bn against this year's budget is a

traditional piece of creative accounting since it is too late for the Gramm-Rudman law to

apply and require offsetting

cuts in spending.
In the end, the combined

pressures of the threat of a

presidential veto, losses run-

missible investments.

THE GO-AHEAD for plans to rescue the US savings and oans industry at a cost of \$166bn over 10 years - the biggest federal bail-out in the country's history - has been given by the House of Repre-

The narrow vote, by 201 to 175, which came just after midnight on Saturday morning, ended weeks of wrangling within the Congress and between congressional leaders and the Bush Administration. The controversy has centred on how the cost of the rescue cooled Reactors, ahead of pri-vatisation next year. Page 6 CETUS. California bio-techshould be financed and in particular whether the Gramm-Rudman law for reducing the

budget deficit should be waived.
The legislation, which now awaits signature by President George Bush, not only provides for the closure or rescue of hundreds of insolvent and financially weakened savings and loans institutions, but also strengthens the powers of regulators and lays down stricter standards for levels of equity

ond quarter net losses of \$7.7m against a loss of \$5.0m a year

THE MONDAY INTERVIEW



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Mariano Rubio Jiminez, governor of the Bank of Spain, is a serious man. He reoresents a triumph for consistency in a country where many institutions have been buckled beyond recognition in the last 20

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MICROGNOSIS

Progress seen on debt problem

Stephen Fidler interviews Citibank's chief debt negotiator

MR William Rhodes, the chief debt negotiator for Citibank, played a central role in the negotiation late last month of a hegotiation late last month of a landmark debt agreement for Mexico, the first to put into effect the debt initiative launched in March by the US Treasury Secretary, Mr Nicholas Brady.

As co-chairman of the 15-

bank advisory committee of leading Mexican bank creditors (along with Mr Angel Gurria of Mexico) and chairman of bank committees from other impor-tant debtor countries, including Brazil and Argentina, he has played a significant role in almost every important debt agreement since the debt crisis

agreement since the debt crisis broke in 1982.

In an interview, he responded to questions from the Financial Times about the Mexican package, agreed in principle in Washington on the weekend of July 23.

The agreement, which covers the order \$22\$ the of medium

the entire \$52.7bn of medium and long-term debt to banks, will allow banks to help Mexico by taking one or more of three financing options: (i) swapping their old loans for 30-year bonds carrying market interest rates but a face value equal to 65 per cent of the old loans; (ii) swapping old loans for bonds with a below-market 6% per cent interest rate but with the same face value; (iii) making new loans equivalent to 25 per cent of their exposure over four years. The bonds under the first two options are "enhanced" by \$7bn in resources, including funds from the World Bank and International Monetary Fund.

Q: Why is it said that the new debt reduction deal for Mexico depends on banks extending "new money"? How many banks need to take the new loans option and are you concerned that the necessary

loans may not be forthcoming?
The reading we are getting within the advisory committee, based on conversations with creditor banks around the world, is that as of now 45 to 55 ner cent of the outstandings are leaning toward debt-service reduction, 25 to 30 per cent toward debt-principal reduc-tion and perhaps 20 to 25 per cent toward new money. However, banks will continue to evaluate the options as the details are worked out, and some may change their think-

Those of us working on the package believe that if 25 per cent goes to new money, Mexico will be able to fund its economic programme, including its investment commitments and its share of debt enhancements. The distribution among the three basic options is key, and I think it illustrates the point that restructuring countries need balanced packages, with a new money component where appropriate, because debt reduction alone cannot always do the job.

Q: The most popular option seems likely to be the bonds with the fixed interest rate of 64 per cent. But with interest rates falling in the US, doesn't that mean that the benefits to Mexico will be reduced?

I look on these bonds as long-term protection for

Mexico against one of the major causes of the debt crisis, namely the extraordinary rise of Libor interest rates in the early 1930s to more than 20 per cent. In effect, these bonds give Mexico a 30-year interest

Q: Some fairly important Q: Some fairly important details of the agreement need to be worked out. Can you explain the main points still to be resolved? Now that an agreement in principle has been reached, is there a risk that the urgency may have gone from the talks?

Among the key issues are the specifics on up-fronting the enhancements — making the enhancements — making the funds available to Mayica gale.

funds available to Mexico early in the agreement for maximum effect. We are working on this with the Mexican government, the IMF, the World Bank and the Japanese Ex-Im Bank. Other important issues are other important issues are reaching agreement on waivers and currency options. As for timing, we would hope to have a term sheet agreed over the next several weeks, to have the complete package sent to banks worldwide by end-August and to have predehous gust, and to have roadshow presentations to the banks worldwide in early September. We realise that the deal is far from done, and we have lost no

ense of urgency.
Q: Some European bankers seem resentful of the US Treasury's role in the deal. How much intervention was there from the Treasury to get it

Notwithstanding some press reports from Washington, nearly all the major issues of the agreement in principle had

been settled between the Mexican negotiating team, which at times included (Finance) Minister (Pedro) Aspe, and the advi-sory committee, with help from the committee banks' chairthe committee banks' chairmen, prior to the weekend session in Washington. Only a few issues remained and the Fed and the US Treasury were helpful in working out several of these, particularly the question of up-fronting the enhancements, which required official input

Q: It seems clear that the debt agreement will not result in a sharp drop in Mexico's \$100bn foreign debt. What then is the significance for

official input

The agreement offers Mexico real debt reduction along with new money, which it needs to support its growth programme. But what's important is not necessarily the percentages. Rather it's that this agreement should help Mexico reduce the cost of servicing its debt, including its very important internal debt, and attract new investment from domestic and foreign sources. Already, as our negotiations progressed over the past few weeks, inter-nal interest rates have dropped by more than one-third and there are signs of new invest-ment inflows. It all boils down to regaining confidence, a lack of which contributed to the debt crisis in the first place.
Q: How much will the Mexican debt deal provide the mould for debt expressions.

mould for debt agreements for

other countries? How might

they differ? We'll all learn something from the Mexican agreement,

Mr William Rhodes, (above) the Citicorp senior vice-president in charge of debt negotiations since the start of the developing country debt crisis in 1982, is to be promoted. Mr John Reed, the bank's chairman, said his new position "will be more senior and have more general international responsibility". He would continue to devote some time to the debt issue, he said.

The assumption in the bank is that Mr Rhodes, 53, will continue to be active on the Mexican debt package and take up next year his new position — a formal title for which has not yet been appropried.

once it is completed, but it won't be a cookle-cutter for other countries. Each country situation is different, and other countries may not need an agreement this complicated. Some may need only one debt-reduction vehicle. Some may do a cash buy-back or use an auction. Some will need new money, others won't. The Mexican agreement puts primary emphasis on debt reduction. but the case-by-case approach

will continue. Q: While the Mexican picture looks brighter for now, a senior British banker said

recently that the outlook for the debt problem was "darken-ing". What's your view?

It's fair to say that some senior bankers feel that the debt situation has deteriorated over the past year. However, there are signs of important progress in a number of key countries. These include Mexico, Colombia, the Philippines and Chile. The top priority now is to complete the Mexican agreement, which should help the country move out of the debt crisis and enter a period of sustained

Brazilian MPs offer emergency economic plan

By Ivo Dawnay in Rio De Janeiro

MOUNTING alarm over rising House of Deputies and a third inflation and its electoral con-sequences has provoked the of the Senate must stand for re-election. "Congress has woken up to the fact that it is closely associ-ated with the failures of the Sarney government," Profesor David Fleischer of Brasilia Uni-Brazilian Congress to propose an emergency economic plan to President Jose Sarney's lame duck administration.

Among the 30-odd measures to be discussed this week are cost saying cutbacks specifically ruled out by Senators and Deputies when they debated Finance Minister Mailson da Nobrega's anti-inflation pack-age last January.

age last January.

Behind the Congress's pauline conversion to fiscal rectitude lie not just fears of hyperinflation but a growing conviction that the electorate will wreak its revenge on the country's political establishment in the presidential elections due on November 16.

Public opinion is perceived as attributing the blame for Brazil's current 28 per cent a

Brazil's current 28 per cent a month inflation as much to Congressional obstructivism as to the enfeebled president. Parties linked to the government like the centrist Brazilian Democratic Movement (PMDB)

and the conservative Liberal Front (PFL) are currently trailing in the polls. Way in front in the presiden-tial race is Mr Fernando Collor de Mello, a 39-year-old former state governor who has suc-cessfully distanced himself from both the Sarney regime

and the mainstream parties. Furthermore, next year the

The closure of non-essential government agencies.

Steps to bolster competition in markets. It was Congress who opposed several similar proposals in Mr da Nobrega's so-called Summer

Plan at the beginning of the year. It refused to allow the closure of five ministries and passed the buck on a move to dismiss up to 90,000 civil ser-vants. Politicians presenting the the package have still implicitly attempted to blame try's plight by proposing a new "super-ministry".

versity commented yesterday.

As a consequence, a coalition of parties - excluding the left - has submitted a new

package to the president proposing dramatic spending cuts.

Among the measures are:

The selling of minority shareholdings in state compa-

An eight month halt to all subsidies and fiscal incentives.
 A crackdown on state sec-

tor privileges and perks includ-ing the sale of ministerial resi-

• Tougher monetary disci-pline and faster tax gathering.

dences and official cars.

Fears grow of fresh rash of Soviet coal strikes

MAJOR coal strikes which spread from Siberia across the country last month could flare again because managers are dawdling in carrying out promises over pay and conditions, a Communist Party official said yesterday, Renter reports from

In an interview published in the daily Sovietskaya Rossiya, a regional Communist Party chief said the coal ministry was clinging to old authoritarian methods and warned that tension among workers was growing. The remarks under-lined the fragile nature of the industrial peace declared in the aftermath of last month's strike, which involved hundreds of thousands of workers. Meanwhile, Tass news agency said that miners in the

pits of Vorkuta, high in the Arctic Circle, returned to work yesterday after a 24-hour stoppage prompted by managers' failure to give them written guarantees on pay and condi-

Miners at 11 of the 13 pits in Vorkuta, also hit by last month's strike, had voted at a meeting late on Friday to stop work again in protest at a failure by management to give ble repression.

them details of the package that ended last month's disruption. Documents were quickly rushed to the city on Friday and the workers voted the following evening to return to

work yesterday. Under the package, miners were granted a 35-point package which Prime Minister Nikolai Ryzhkov said would cost the floundering economy a crippling Roubles 2 bn. However, miners' leaders also made clear at the time that they had suspended rather than called off their action, and warned they would down tools again if officials failed to honour pledges on pay, conditions and a host of other local issues.

On Thursday, miners at 17 pits in the Kuzbass region stopped work for two hours to protest against the failure of local officials to halt work on a reservoir scheme along the Tomi river, as they promised.

 Mr Vyacheslav Kostikov.a writer in the outspoken Soviet weekly Ogonyok has asserted that the Bolsheviks' decision to ban all other parties soon after the 1917 Revolution lost them popular support and set in motion Stalin's terri-

The Rolex Ouster Dateiust

OBITUARY: PAOLO BAFFI

Man who became the Bank of Italy's conscience

By Alan Friedman in Milan

MR PAOLO BAFFI, Governor of the Bank of Italy during the turbulent late 1970s, a longserving member of the board of the Bank for International Set-tlements, and one of the great figures of post-war Italian finance and banking, died at the weekend in Rome following a long illness.

Mr Baffi, who until recently went daily to his office at the Italian central bank where he remained honorary Governor, died only hours before his 78th birthday.

As central bank governor from 1975 to 1979, he presided over the blackest days of recent Italian economic history. When he took over from Governor (now Treasury Minister) Mr Guido Carli in 1975, Italy faced a currency crisis

THE Netherlands' economic

growth will slow to an average

of 2.5 per cent between 1990 and 1994, hampering efforts to pare the gaping budget deficit.

according to the Dutch Central

The semi-official forecasting

bureau predicts that expansion

of the gross national product will dwindle because of less

buoyant world trade and

United States growth, as well

Dutch GNP will climb four

per cent this year and taper off

to three per cent in 1990, the

Plan Bureau.

as a lower dollar.

and spiralling inflation. A figure of towering honesty and authority. Mr Baffi helped to guide italy as it joined the European Monetary System (EMS) and as it faced the second oil price shock. The gravest crisis he had to

deal with arose out of the occult and sinister forces of the outlawed P-2 Freemasons' Lodge and from such shadowy figures in the financial world as Roberto Calvi and Michele

in March 1979 magistrates sent carabinieri to the Bank of Italy to bring unsubstantiated charges against Governor Baffi, and to haul off to prison Mr Mario Sarcinelli, deputy director-general at the central

Dutch growth forecast to slow

With early general elections due to be held on September 6

the medium-term macro-eco-

nomic forecast takes on partic-

slightly less optimistic than previous scenarios, will be used by the Dutch political

parties in their election cam-

paign platforms and by the

new coalition partners in their

governing accord.

Mr Gerrit Zalm, director of

the Bureau, gave a warning

that the next government administration would have a

more difficult time in trying to

The figures, which are

ular political significance.

shown to be trumped up, probably with the collusion of the P-2; but Mr Baffi never recovered from the shock, and

resigned from the Bank.
The accusations against him were, arguably, one of the most serious attacks on the authority of the post-war Italian state. The Financial Times compared it, at the time, to the kidnap and murder of ex-Prime Minister Aldo Moro. The affair blew up after two

courageous moves by the central bank: its support of Mr Giorgio Ambrosoli, court-ap-pointed liquidator of the Sindona banking empire who was himself assassinated in Milan in 1979, and the ordering - at-the behest of Mr Sarcinelli - of ank. a Bank of Italy inspection of The charges were later Mr Roberto Calvi's Banco

shrink the huge budget deficit than the Christian Democrat-

Liberal coalition which col-

All the major political par-

ties are aiming to trim the defi-

cit by around two per cent of

national income over the

Moreover, Mr Zalm noted

that the previous coalition led

by Prime Minister Rund Lub-

bers had exhausted most of the less painful ways of cutting the

deficit - selling off state hold-ings and shifting housing fin-

1990-94 cabinet period.

ancing off budget.

lapsed in May.

Yesterday, Italian newspapers recalled pointedly that back in 1979 Mr Giulio Andreotti - who was Prime Minister then and assumed that office for a sixth time last month - confined himself to the most tepid comments on the Baffi affair.

The casual stance of Mr Andreotti - who had looked favourably on a rescue for Sindona's banking empire - con-trasted sharply with the messages of support that Mr Baffi received from leading economists and bankers like Paul Volcker and David Rocke Mr Baffi was born in 1911 in the Lombard town of Pavia and after taking a degree in

In the late 1950s he served as financial adviser to the Bank of Italy and the BIS in Basic and was director-general of the Italian Central Bank from 1960 until his appointment as Governor in 1975.

Bank in 1936.

A brilliant economist, Mr Baffi was a very private man who displayed an acute sense of irony and wit to those who knew him.

Speaking to this correspondent last year, he complained of the "still medieval power centres at work in modern

His bonour and dignity were legendary, Mr. Carlo Azeglio Ciampi, the current central bank governor, yesterday called him the bank's "critical

economics became a lecturer before joining the Central Climate of fear over Mafia grows in Sicily

By Alan Friedman in Milan

THE CLIMATE of fear and confusion in Sicily since the revelation of two attempts to assassmate an anti-Mafia judge worsened yesterday after reports of suspected Mafia "moles" in the police and the murder of a policeman and his

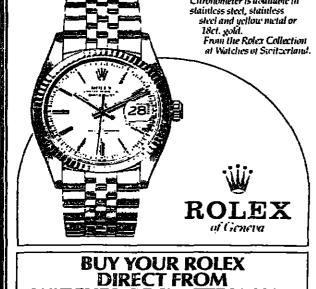
The policeman, Antonino Agostino, was gunned down on Saturday, along with his 20-year-old wife, while bathing at a beach near Palermo. The authorities are convinced that the four killers were acting

under orders of a newly re-organised Mafia clan. Worries were growing among anti-Mafia forces amid allegations that dozens of tele-phones, including those used by Judge Giovanni Falcone, had been subject to wire tap-ping. Reports that bugs had been found in the offices of the top anti-Mafia judge were both confirmed and denied in the past 48 hours. Anti-Maña offi-

cials and Rome have been try-ing in recent weeks to identify suspected "moles".

Dominicans lobby to join Club Caribbean

Canute James reports on stumbling blocks to membership of a trade and aid accord



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Dominican Republic to become a signatory to a and aid agreement between the European Commu-nity and several developing countries is causing more than passing concern to the Carib-bean beneficiaries of the pact. The Dominicans have intensified their efforts to be listed among the African, Caribbean and Pacific (ACP) group which is linked to the EC through the Lome Convention. But the Caribbean states, which say they do not object to the expansion of the ACP, are wor-

ried that the Dominican Republic could bring added competition for markets in Europe.
"The Caribbean states are concerned at the likely impact of Dominican membership on the existing market for bananas, sugar and rum," explained Mr Byron Blake, director of economics of the

Caribbean Economic Commu-nity (Caricom). But representatives of the Dominican Republic argue that these fears are groundless.
"The Dominican Republic is disposed towards respecting the traditional markets of the ACP states and to being a good family member of the Caribbean part of the ACP," said Mr Samuel Conde, chairman of the country's private sector committee which is supporting the application. "I do not foresee any major difficulties."

Concern about the likely

HE EFFORTS of the the benefits which ACP states are hoping to get under the fourth Lomé Convention is not limited to the Caribbean. But fears about the Dominicans are reflected in a comparison of its application with that of Haiti. Haiti is poor and has little productive capacity to threaten existing market access.

We have already taken a decision in favour of Haiti," said Mr Edwin Carrington, secretary general of the ACP group. But that does not mean that we will automatically do the same for the Dominican Republic. We are concerned about sugar, among other things.

"The Dominican Republic and the EC jointly give certain guarantees about the sugar protected which corrected which corrected the sugar protected the sugar protected which corrected the sugar protected the sugar pro

protocol, which essentially would mean that the Republic would not be seeking to accede to [it] as it is. This is the major stumbling block for the Dominican Republic as far as we are concerned."
Caribbean officials argue

that although the country of 6m people is a major producer, but small exporter of bananas, there is reason for concern over whether the country would be party to the banana protocol.

They say also that as a major sugar producer, the Dominican Republic has been suffering reduced access to the US market and would find the price offered by the EC attractive. There are also fears that the republic could be a competitor on the rum market.



Many Caribbean countries are concerned about the impact of the Dominican Republic on Europe's market for bananas

At the annual Caricom summit in Grenada earlier this mouth, spokesmen for several regional governments said they were willing to accept the Dominicans' guarantee not to seek to benefit at the expense of Caribbean countries in the markets for rum, sugar and bananes.

We have agreed to forego any aspirations by way of the sugar protocol," said Mr

Conde. "We do not export rum.

local consumption.

The region has accepted that these guarantees are being given in good faith, said one senior trade official. "But the senior trade official. "But the question we are all asking ourselves is: if they are not interested in any of these areas, why is there such an effort to get in? Many governments in the region accept the Dominicans' undertakings, but they are worried that internal eco-nomic and political changes could force the country to abandon this guarantee." Caribbean and other ACP

states have accepted that there is no likelihood that the Dominican Republic's accession to the Lome Convention would open the door to a flood of new members from Latin and Central America. "One of the conditions on which our agreement will be based is that the door will be closed in that part of the world," said Mr Car-rington. "It has to be under-stood that it will not be the beginning of anything, but the end. On this point there is no argument, everyone agrees."
The admission of Haiti and

the Dominican Republic would triple the population of the Caribbean part of the ACP group, and many in the region fear that there may not be a linked increase in financial assistance from the EC. But strong opposition to the appli-cation could cost the region support in important areas - such as continued protection for bananas - from countries such as Spain, which backs the Dominican Republic's member

Consequently, several Caribbean governments are coming to the conclusion that it may be more prudent in the longer term to seek protection for their for vital products such as Tilm. rum, sugar and bananas, rather than attempt to shut out the Dominican Republic.

Paz Zamora

takes office

under cloud

of doubt By Barbara Durr in La Paz MR JAIME PAZ ZAMORA, a former exile with left-wing

leanings was elected as presi-dent of Bolivia after forming an alliance with a military leader whom he had sought to overthrow over a decade ago.
The presidents of Argentina. Brazil, Panama, Paraguay,

Peru and Uruguay were to attend an inauguration cere-mony late yesterday, but Mr Paz Zamora, 50, will take office under a cloud of doubt, with the validity of an election two months ago questioned by the unsuccessful

Mr Paz Zamora, who leads the Social Democratic Party Movement of the Revolutionary Left (MIR), placed third in the May election with 19 per cent of the vote, was chosen as liament early on Saturday morning after an all-night debate in which he won 97 of

the 156 congressional votes. His victory came from a coalition with former military dictator, Retired General Hugo Banzer, head of the conserva-tive Nationalist Democratic Action (ADN) Party, and the country's leader from 1971 to

The MIR and the ADN will rule in a national unity government, the third in seven years of constitutional democracy, and General Banzer will head the top policy-making body, while his party will have at least half or more of the minis-tries.

The general, with 23 per cent of the vote, was placed second in the May election and last week allied with Mr Paz Zamora, largely in order to prevent Mr Gonzalo Sanchez de Lozada, leader of the National Revolutionary Movement, which won 24 per cent of the vote, from becoming

president. General Banzer, while politically closer to Mr Sanchez, has deep personal differences with him. Ironically, the general had jailed Mr Paz Zamora and forced him into exile in the

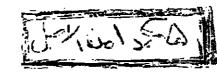
After a crisis of economic confidence last week, with a run on banks and a 10 per cent plunge in the Bolivian cur-rency's value on the black market, the new president, a for-mer Marxist, gave assurances that he will maintain a free market economy.

Mr Paz Zamora said that he would rule with "humility. courage and serenity".

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OVERSEAS NEWS

Egypt may buy 8 **UK** submarines

By Tony Walker in Cairo

EGYPT is in the final stages of negotiating the purchase of two Oberon class submarines from private interests in the UK as part of an overall plan to modernise its fleet, according to defence officials in Cairo.

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The sale, including extensive refit, could be worth up to \$75m. Egypt is thought likely to use American defence aid grants to help fund the refit.
Egyptian plans call for the
purchase of up to eight Oberon
submarines within the next ten

years as these craft come on the market. The Royal Navy is gradually mothballing its fleet of Oberons and offering them for private tender.

Egypt, which has the largest submarine fleet in the Arab world, is believed to have decided to phase out some of its antiquated and noisy Soviet and Chinese supplied Whiskey and Romeo class vessels. The country's large foreign debt means that limited funds

are available for new-defence equipment and Cairo is understood to be offering harter arrangements for the submarine purchases. Among the commodities it is believed willing to trade are cotton and alu-

The Oberon submarines have been a highly reliable and quiet vehicle for the Royal Navy over the past 25 years. They are being phased out to make way for the new Upholder class.

Egypt's purchases of defence equipment have slowed in equipment have slowed in recent years, partly because of the country's economic crisis. But the military clearly attaches importance to preserving Egypt's regional advantage in submarine warfare capabilities.

Meanwhile, Israel is reported to be reconsidering its decision.

not to go ahead with the pur-chase of two diesel-powered submarines from West Ger-

Egyptian strikers bear the brunt of singleminded Cairo

Tony Walker on why IMF talks 'must not' be endangered

SWIFT and punitive action taken last week by the security Forces against strikers at Egypt's Soviet-built Helwan Iron and Steel works was a sign of the government's de mination to crack down hard on any hint of worker unrest, pending conclusion of delicate IMF negotiations.

According to those present, the security forces used tactics that would not have been out of place on the battlefield in their efforts to break-up a "sit-in" strike that was disrupting output at the huge complex that employs some 26,000 work-

One worker was killed by gunfire - he was reported in the official press to have died of a heart attack - and 15 others injured in the melee that fol-lowed the police intervention. Armoured vehicles and tear gas were used in the raid on the complex 80km south of Cairo. It was the worst case of industrial violence since President Hosni Mubarak came to power in 1981.

Harsh tactics

The tactics employed were characteristic of the government's approach to any hint of civil disobedience since the appointment in 1986 of the tough Major General Zaki Badr as Interior Minister. A notable target of his attentions has been Modern Aundamentalia. been Moslem fundamentalists, thousands of whom have been

arrested.

The government is particularly sensitive now to any sign of civil disobedience as Egypt grapples with severe economic problems, including rising prices, unemployment and shortages of some commodities. The broad left represented by the Tugammu party is already agitating against an IMF accord which, it claims, will further depress living

Mr Rifaat el Said, Secretary General of the Tugammu said yesterday that because of worsening economic conditions and ening economic conditions and the impact on worker's well-being they "can't do anything but strike." He said that the relatively free rain allowed to the opposition press in Egypt "gives you the right to how!, but this doesn't achieve any-thing."

The government, through the official press, has sought to portray the Helwan strike as a localised disturbance caused by communist and Moslem extremist agitators among a minority of workers. It says suspension of two worker representatives from the workermanagement board in a dis-



Mubarak: battered economy

pute over the distribution of bonuses. Mr el Said insisted, however, that the Helwan strike was symptomatic of a widespread disquiet in the workforce over falling living standards. He predicted there would be other

disturbances. The Cauthorities's have detained a number of workers and are pressing charges against 82 of them. The work-ers are accused of damaging property, resisting arrest and "abstaining from work." The government claims that the strike cost the company E£m(\$2.3m) in property damage and lost production.

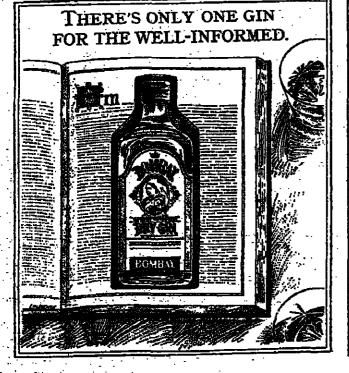
Under Egypt's emergency law, in force since the assassi-nation of President Anwar Sadat in 1981, strikes are barred. But this has not pre-vented sporadic industrial unrest in the textile sector, Egypt's biggest employer of

Electoral failure

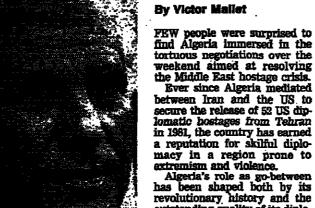
Mr el Said said that in spite of the lack of electoral success of the broad left the Tugammu party failed to win a seat at the last People's Assembly election in 1987 - there was no interest in Egypt at this stage in establishing an inde-pendent trade union body to replace the present govern-ment-dominated Egyptian Fed-eration of Trades Unions.

He blamed the left's lack of electoral success on rigged bal-lots. He said the organisation was concentrating its efforts on strengthening its position in union organisations and was

m umon organisations and was achieving success.
Egypt's negotiations with the IMF are at an advanced stage. A letter of intent is expected to be signed this month, opening the way for a second Paris Club rescheduling of some \$10bn of official debt The IMF is asking for further reductions in subsidies, and interest and exchange rate



Hostage crisis tests Algerian mediators' skill



Chadli: central role

tortuous negotiations over the weekend aimed at resolving the Middle East hostage crisis. Ever since Algeria mediated between Iran and the US to secure the release of 52 US dip-lomatic hostages from Tehran in 1981, the country has earned a reputation for skilful diplomacy in a region prone to

outstanding quality of its diplo-matic troubleshooters. After the vicious war which culminated in independence from France in 1962, Algeria joined the ranks of the radical

sheltering and supporting ter-rorists. It was friendly with Iran, Libya and Syria, and with Palestinian hardliners.

Under President Chadli Bendjedid for the past decade, Algeria has broadened its hori-zons by reaching out to moderate Arab states, Europe and the US - but without losing its standing among its old rev-

olutionary allies. The breadth of Algeria's contacts has been complemented by the astuteness and courage of its negotiators. One of the most prominent is Mr el-Hadi Khediri, the minister who helped resolve last year's hijack of a Kuwaiti airliner and contributed to release of

Arab states and was accused of French hostages in Lebanon. He mediated over the hijack of a TWA aircraft in 1985 and over US embassy hostages in Tehran four years earlier.

In 1982 Algeria lost some of its finest negotiators when an aircraft carrying Mr Mohammed Benyahia, the Foreign Minister, was shot down between Baghdad and Tehran on a shuttle mission aimed at

ending the Gulf war.

More recently another Algerian, Mr Lakhdar Ibrahimi, a former ambassador to Britain, has tried repeatedly to bring ce to Lebanon as one of the Assistant Secretaries General of the Arab League. In Beirut last week, it was

the turn of Mr al-Khaled al-

Hasnawi, the Algerian ambassador to Lebanon. Among those he met as Algeria mediated in the hostage dispute were leaders of Hizbollah, the Iranian-backed organisation thought to be behind most of

the kidnappings of Westerners. One group linked to Hizbollah announced the hanging of US hostage Lt Col William Higgins last week. Another group threatened to kill Mr Joseph Cicippio, an American accountant, in retaliation for Israel's kidnapping of Sheikh Abdul Karim Obeid, a Hizbollah leader in southern Lebanon. The threat has now been

suspended.
"I pleaded with them (Hizboliah) to prevent the execution of

"I asked them to be patient and exert self-control and not to take drastic measures."

Mr al-Hasnawi - who as ambassador to Kuwait was involved in the talks over last year's hijacking of a Kuwaiti Boeing 747 - said Algeria had responded to a request from President George Bush last week and had sent a team of negotiators to talk to the kidnappers. "The hostage issue has started to unfold," he told Reuters on Friday.

Another envoy, Mr Marrack Goulding of the United Nations, who has been in Bei-rut to ascertain the fate of Col Higgins, paid tribute to the

Bush wins backing from Americans for handling of affair

By Peter Riddell, US Editor in Washington

PRESIDENT George Bush has so far been given general sup-port by the US public and poli-ticians for his handling of the Lebanon hostage affair, though there is widespread pressure for tougher action.

A poll conducted last day and Thursday for the Washington Post and ABC
News shows that 47 per cent
approved of Mr Bush's handling of the situation and 35
per cent disapproved.

However, the poll, which was mainly taken before the freezing of the execution threat against Mr Joseph Cicippio, indicates that 51 per cent of the sample believed that Mr Bush's reaction had not been tough enough. Around 35 per cent believed his conduct had been about right.

These findings tie in with the views of many Congress-men, including Democratic ments have generally been supportive of the president, in

supportive of the president, in part because they have been kept fully informed by him.
Yesterday both Senator George Mitchell, the Democratic Majority leader, and Senator Robert Dole, the Republican Minority leader, backed Mr Bush's stand and said the US should be reparated to take milshould be prepared to take military action if further American hostages were killed. Senator Mitchell stressed that no

course of action was risk-free and hoped that, in addition to Iran, more emphasis would be given to the role of Syria in

Senator David Boren, the Democratic chairman of the Senate Intelligence committee said that Mr Bush had struck "exactly the right balance between using diplomatic channels and making it clear that his options are open. He's moved some military forces

into the region. He's obviously preparing himself physically to take other action."

Nevertheless, there is a considerable undercurrent of frustration- both specifically about the constraints on US intelligence in pinpointing the hostage-taking groups and generally over the impotence of a

While there has been some

few days, calls for military action against both the hostage-taking groups and its Ira-nian sponsors have not gone

A number of conservative Republicans have expressed concern that the administration's response over the past week has provided no penalty to the hostage-takers from seizing further Americans even if those currently in captivity are

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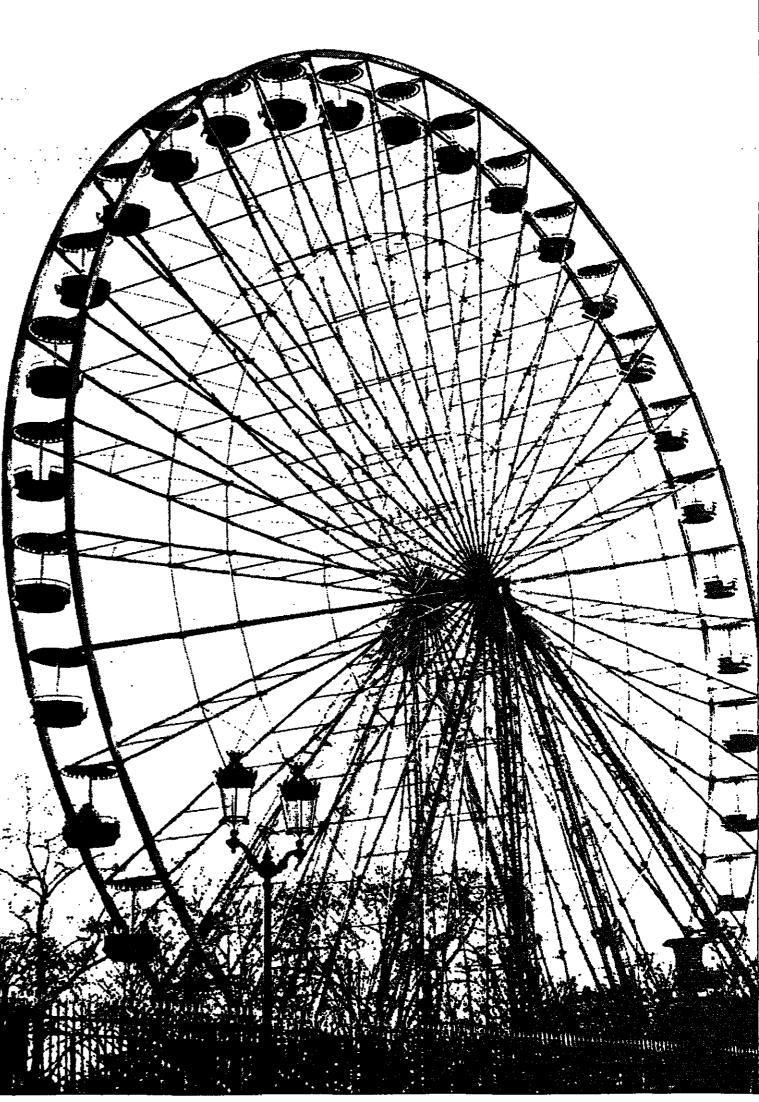
camcorder for the full size cylinder, parts had to be reduced by 30 percent. This dramatic reduction demanded true interdisciplinary technological expertise. Hitachi's hybrid IC design and manufacturing capabilities were essential. Equally vital were expertise in mechanical devices, in macro and micro level electronics, and the ability to flawlessly integrate these technologies for a specific target.



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OVERSEAS NEWS

Mujahideen chief puts forward plan for Kabul coup

By Christina Lamb in Peshawar

GULBUDDIN Hekmatyar, the most extreme of the seven Afghan resistance leaders, has proposed collaboration with senior Afghan army officers in a plan to replace the Sovietbacked regime of President Najibullah with a Revolutionary Council of commanders from around Kabul

This is being seen as a direct challenge to Hekmatyar's resistance colleagues. They have been demanding his suspension from the US-backed interim government, after a recent incident in which one of his commanders reportedly killed 30 guerrillas from

another party. Hekmatyar, Foreign Minister in the interim government, fol-lowed his remarks by organising a rally to demonstrate his support, bringing in businads of supporters. More than 20,000 attended the meeting, at which Hekmatyar accused the West of a conspiracy against his His accusations come amid

rumours that the US is considering dropping Hekmatyar, who has been receiving the lion's share of the weapons it supplies to the resistance. Other resistance leaders have rejected his coup suggestion pointing out that the senior Afghan army officers Hekma-tyar refers to as "disillusioned with Najib", are all members of a hard-line faction that would never agree to hand over power to the Mujahideen.

Hekmatyar has been under fire from other resistance parties since allegations that he had arranged an ambush last month in which 30 Mujahideen were slaughtered.

• Mr Eduard Shevardnadze, Soviet Foreign Minister, was greeted by a stream of resistance rockets when he arrived in Kabul yesterday for talks with leaders of the Moscowbacked government there. Reu-

Mr Shevardnadze, who is likely to leave Kabul today, is expected to brief the regime on talks between the US and Soviet officials last week that focused on the Afghan issue.

UN team to Dalai Lama's reconciliation hopes recede

Exchanges have dried up since the Tiananmen massacre, Peter Ellingsen reports

HE possibility of a reconciliation between Peking and Tibet's exiled leader, the Dalai Lama. A UN team arrived in Bangkok yesterday on its way to Cam-bodia to determine how to set up an international body to has receded following the revival of conservative policies in China and the triumph of orthodox, hardline figures over monitor the Vietnamese troop withdrawal that is a key to a reformers in the Chinese lead-

with a purge of liberals continuing in the top ranks of the Communist Party, Peking has still to respond to an offer by the Dalai Lama to send a delegation to Hong Kong to initiate peace negotiations. The Dalai Lama had wanted

to meet on April 19, which, inconveniently for the Chinese leadership, coincided with Peking students taking to the streets of the capital for pro-democracy demonstrations. China failed to respond to that offer, and there have been no official exchanges between the two groups since the Chi-

nese Government ordered the

army to crush democracy pro-tests by storming Tlananmen Square on June 3. China this week, however, again offered to meet the Dalai Lama, but only on its own terms - with no recoginition of his government-in-exile and no suggestion that Tibet has

any rights to independence.

The Tibetan capital, Lhasa, like Peking, remains under martial law, and Mr Tashi Wangdi, the Dalai Lama's foreign affairs spokesman, believes the Chinese military will have to withdraw before

will have to withdraw before any real progress can be made on ending the 30-year stalemate with the Dalai, whom Tibetans regard as a god-king. The prospect of further proindependence protests, which have taken place intermittently since late 1987, means there is little change the prospect. there is little chance the pres-ence of the People's Liberation Army will be scaled down.
According to Mr Wangdi,
talks are now "deadlocked" as
a result of Peking's "unhelpful" attitude toward the Dalai Lama's willingness to start

"Given their response to the reasonable demands of their reasonable demands of their own people, we cannot expect a positive response to our entreaties," he said.

Peking's position has been that the Dalai Lama, who fled Tibet with about 100,000 follow-

ers after an uprising in 1959, is welcome to return, providing he renounces claims to Tibetan

sovereignty.

The Dalai previously suggested a Hong Kong-like arrangement for the region,

Ten Tibetans have been jailed for rioting, destruction of property and "counter-revolu-tionary" activities during anti-Chinese protests, Xinhua, the state-run news agency

eported yesterday. The sentences were for crimes, including arson, looting, and "shouting revolutionary slogans", which were allegedly committed during pro-independence protests in March, when at least 16 people were killed. The Xinhua report was one of the few official accounts of the fate of the hundreds of Tibetans believed arrested since the protests.

with a Tibetan government handling domestic policies and Peking retaining responsibility for foreign affairs.

Peking rejected the proposal and insists Tibet is "an inalian-able part" of China, while many Tibetans argue that their country has been occupied forcefully.

In an indication of the lead-In an indication of the lead-erahip's rigid attitude to Teac-mar Ngapoi Jigme, vice-chair-man of the standing committee of China's National Peoples' Congress, this week empha-sised the central role of ideol-ogy in Tibet.



The Dalai Lama: China this week offered to meet him – but only on its own terms

"Only the Communist party can make Tibetans masters of their land and only socialism can offer bright prospects for the region," he told the Fifth Tibetan Peoples' Congress in

Mr Ngapol said the only choice open to the Dalai Lama was to conduct "sincere negotiations" with Peking "in order to satisfy the religious wishes of the Tibetan people. "There is no way out for the few separatists to advocate independence for Tibet and go on stirring up riots," he said. The Dalai Lama should endeavour to establish "good relations" with Peking, with-out mentioning the offer to

meet in Hong Kong, Mr Ngapoi added. Mr Ngapoi told the People's Congress meeting that the Chi-nese Communist Party was attempting to draw up new policies which would "better suit

(Tibet's) characteristics of

(Thet's) characteristics of national autonomy."
He insisted that Peking's "liberation" of Tihet 40 years ago had unquestionably benefited the region.
In spite of the fact that the Chinese claim that a small number of "splittists" aided and abetted by "certain foreign nowers" have been fermenting powers" have been fermenting

discontent in the mountain region, rule by the Chinese is unpopular in Tibet.

Peking enforced martial law after Tibetan monks and others staged an anti-Chinese demonstration in the Tibetan capital Lhasa in March this

The demonstration was the latest in a string of protests that have been harshly put down by Chinese troops.

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The holders of Oridinary Shares and Preference Shares of the Company are hereby convened to attend an Extraordinary General Meeting of the Company to be held at the registered office of the Company at 2, boulevard Royal, Lauembourg on 16th August, 1989 at 11.30 a.m. for the purpose of considering and, if thought fit, passing the following resolutions, which will be proposed as special resolutions:

RESOLUTIONS

(a) United States Dollars nine million (USS 9,000,000) of the realised profit of the company for the year ended 30th June, 1988 be capitalised and credited to subscribed capital against the issue of 4,500,000 new Ordinary Shares of a par value of United States Dollars two (USS 2) each on the second busness day in London and Limembourg following the Record Dute tas defined below), such new Ordinary Shares to be distributed to the holders of Ordinary Shares in registered form on the register of members of the Company at close of business on 24th August, 1989 (or in the event any of the necessary Meetings are adjourned on the fifth business day in London and Limembourg following the passing of the necessary resolutions at such Meeting(s)) (the "Record Date") and to holders of Ordinary Shares in bearer form against production of coupon(s) in respect of such bearer Ordinary Shares in such manner as the board shall prescribe, in each cage in the ratio of more one Ordinary Shares for each Ordinary Share in registered form so held and/or (as the case may be) each Ordinary Share in bearer form in respect of which coupon(s) is/are so produced; and

"The Company has an issued capital of United States Dollars clews militon (US\$ 11,000,000) consisting of five million (3,000,000) Ordinary States of a par value of United States Dollars (US\$ 2) each and five hundred thousand (500,000) Non-Young Preference States of a par value of United States Dollars two (US\$ 2) each. The 5,000,000 Ordinary States and the 500,000 Non-Yoting Preference States have all been fully paid up by payment in each of United States Dollars eleven militon (US\$ 11,000,000) together with total issue premiums transferred to paid up surplus of United States Dollars forty-eight million (US\$ 48,000,000) is respect of the Non-Young Preference States.

THAT conditional on each of the separate class meetings of holdent of Ordinary Shat and Preference Shates convened for 16th August, 1989 passing Resolution 2 to proposed at each such Meeting. Article 7 of the Articles of Incorporation of t Company be and it is hereby amended by the deletion of the following wording appearing in the first paragraph of the said Article 20th berent?".

', provided that (as long as Non-Voting Preference Shares remain in issue) the number of Ordinary Shares shall be equal to the number of Non-Voting Preference blane comprised in any such increase or reduction."

NOTE:

The quorum for the Meeting is shareholders present in person or by proxy of one half of the Shares in the capital of the Company for the time being in issue. In order to be carried a special resolution abould be passed by a majority of not less than two thirds of the Shares represented at the Meeting.

Copies of the Circular issued by the Company to holders of Preference Shares and Ordenary Shares in connection with the above matters are available for inspection and copies may be obtained by shareholders at the office of the Registrar during normal business bours on any weekday (Saturdays and public holidays excepted). By order of the Board of Directors.

J.F. PACIFIC WARRANT COMPANY S.A.

Société Anonyme 2. boulevard Royal L - 2953 LUXEMBOURG

of a Separate Class Meeting of the holders of ordinary shares of a par value of USS 2
each ("Ordinary Shares")
in J.F. Pacific Warrant Company S.A. (the "Company")

The holders of Ordinary Shares are hereby convened to attend a separate class meeting of holders of Ordinary Shares to be held at the registered officer of the Company at 2 houlevard Royal, Luxembourg on 16th August, 1989 at 12.00 moon or as soon thereafter as the separate class meeting of holders of non-voting redeemable preference shares of a par value of USS 2 such convened on the same day and place has been concluded or been adjourned, for the purpose of considering and, if thought fit, passing the following resolutions which will proposed as special resolutions:

RESOLUTIONS

THAT, conditionally on the passag of Resolution 2 below:-

(a) United States Doffars nine milison (USS 9.000,000) of the realized profit of the company for the year ended 30th June, 1983 be capitalised and credited to subscribed capital against the issue of 4.500,000 new Ordinary Shares of a par value of United States Doffars two (USS 2) each on the second besiness day in London and Laurenbourg following the Record Date (as defined below), such new Ordinary Shares to be distributed to the holders of Ordinary Shares in registered form on the register of members of the Company as close of buseness on 24th August, 1999 for in the event any of the necessary Meetings are adjourned on the lifth business day in London and Laurenbourg following the pussing of the necessary resolutions at such Meetingts); title "Record Date" and to holders of Ordinary Shares in bearer form against production of coupon(s) in respect of such bearer Ordinary Shares in such manner as the board shall priscribe, in each case in the ratue of size one Ordinary Shares in each Ordinary Share in registered form so held and/or (as the case may be) each Ordinary Share in barrer form in respect of which coupon(s) is are so produced; and

(b) Article five of the Articles of Incorporation of the Company be and it is hereby amended by the defetion of the first paragraph of such Article and the amendment of the second paragraph of such Article to read as follows:

"The Company has an issued capital of United States Dollars eleven million (USS 11.000.000) consisting of five million 15.000.000) Ordinary Shares of a par value of United States Dollars (USS 21 each and five handred thousand (\$90.000) Non-Voting Preference Shares of a par value of United States Dollars two (USS 2) each. The 5,000,000 Ordinary Shares and the 500.000 Non-Voting Preference Shares have all been fully paid up by payment in cash of United States Dollars cleven million (USS 11.000,000) together with total usue premiums transferred to paid up surptus of United States Dollars forty-eight million (USS 48,000,000) in respect of the Non-Voting Preference Shares.

THAT Article 7 of the Articles of incorporation of the Compuny be and it is hereby amended by the deletion of the following wording appearing in the first paragraph of the said Article after the words "us prescribed in Article 26 hereof":

, provided that (as long as Non-Voting Preference Shares remain in resu-namber of Ordinary Shares shall be equal to the number of Non-Voting Prefe hares comprised at any such increase or reduction."

Copies of the Circular issued by the Company to holders of Preference Shares and Ordinary Shares in connection with the above matters are available for inspection to and copies may be obtained by shareholders at the office of the Register during normal business hours on any weekday (Saturdays and public holidays excepted). By order of the Board of Directors, Jean-Machel Gelhav

This time, the approach will be different, Patti Waldmeir writes URING the three years of South Africa's state of emergency, the coun-

try's anti-apartheid opposition has grown unaccustomed to So when a handful of white hospitals last week accepted black patients for treatment following a protest organised by anti-apartheld groups, the protest leaders could scarcely contain their elation. Hospitals were only the beginning; apart-heid would be challenged in every area of South Airican life, they said, promising the campaign would be "long and

monitor

Cambodia

withdrawal

proposed solution to the Cam-bodian problem, AP reports

from Bangkok.
The 15-member team is to

fly to Cambodia today, and return after a week to hold talks with Thai authorities and visit the Thai-Cambodian

border, according to its leader, Lt-Gen. Martin Vadset of Nor-

way. The team was sent by the just-completed Paris confer-

ence on Cambodia, and will report back later this month. Vietnam, which invaded

Cambodia nearly 11 years ago and toppled the Khmer Rouge

regime, said it will withdraw

regime, said it will withdraw all its 26,000 troops by late September. Lt-Gen Vadset said "all factions and neighbouring countries had been very forth-coming in giving help to the

delegation, so we have no doubt we will be able to do

The team includes officials

from Norway, Iran, Malaysia,

India, Poland, and Britain.

what we like".

Plans for the future course of the civil disobedience campaign appear to be at an early stage of preparation. But it is clear that the campaign signals the return of anti-apartheid groups to the arena of protest politics, which they had largely vacated following the imposition of a state of emergency in June 1986. To judge from the first event staged so far, the approach to mass action will be radically different from that adopted prior to the sobering experiences of the past three

so-called "Mass Democratic Movement" - the amorphous body of opposition groups continue to experience severe which is organising the currestriction of their activities rent protest - concede that the emergency has left much of the movement crippled and dispirited. "Our leaders were detained, and as new leaders emerged, they were detained in turn. Two, three, four layers of ing opposition activity is diffileadership were removed, and cult. Leaders may have been

organisation was crushed as a result." says an MDM spokes-

reassess its approach to pro-test. Representatives of a wide range of groups allied to the MDM agree that the strategy of "ungovernability" pursued prior to the state of emergency
- which involved spontaneous "mass mobilisation" often leading to violence - had failed in the face of overwhelming force from the state. A more organised, focused and peaceful approach was to replace the chaos of the 1984-86 disturbances. It was to appeal to a wider constituency, both inter-nally and internationally.

In such a climate, co-ordinat-

The first evidence of a new approach came in January, when the movement organised hunger strikes by hundreds of black detainees. Faced with the international consequences of the deaths of prisoners detained without trial or charge, Pretoria surprised the movement by releasing many detainees. Of the 30,000 people detained during the emergency, only a small number now remain in jail. The current civil disobedi-

Representatives of the ence campaign is being masterminded largely by exactly these released detainees. Many they must report to police, several times daily in some cases, and are confined to their homes during hours of dark-

South African police fired tear gas to disperse peaceful mourners after a funeral near This led the movement to Cape Town on Saturday, Patti Waldmeir writes. Thousands had gathered to mark the deaths of two black activists

> ance of police restrictions on the funeral. It was one of the largest such gatherings since the imposition of a state of emergency in 1986. Later, tear gas was also used against 50 peo-ple attempting to visit South Africa's oldest imprisoned activist, Oscar Mpetha, for his 80th birthday.

killed in a bomb blast, in defi-

released, but many of the organisations they headed have been banned or restricted, or otherwise weakened by the state of emer-

Activists speak of building mass organisations to direct the course of protest, begin-ning at the grassroots with street committees which had had a fledgling existence in some areas before the emergency. But the MDM itself could scarcely be less tightly organised: and with a large number of people speaking in its name at any one time, confusion over its intentions and its policies often arises.

At the core of the MDM, though, are the trades unions - by far the best organised of the opposition groupings, and the least affected by emergency regulations. The burden of ensuring that the current civil disobedience campaign is

effective and peaceful must rest largely on the unions, which successfully organised a three-day strike last year to protest at changes to South Africa's labour laws. Union leaders meet later this month to consider another general strike to coincide with general elections involving whites, Indians and coloureds on Sep-

tember 6. The powerful National Union of Mineworkers has already said it is extending the defiance campaign to segregated facilities at the mines, and MDM leaders say segregated buses, trains, and possibly schools could also be targeted. But they recognise that the

degree of restraint shown so far by Pretoria cannot be counted on to continue. Last week's hospitals campaign met no resistance from the authorities, despite continued threats of a tough response from Mr Adriaan Vlok, Law and Order Minister.

The desire to avoid damaging South Africa's interna-tional image no doubt played a part in the decision to exercise restraint, but as election day approaches, the ruling National Party may well wish to demonstrate its credentials on security before a white electorate which is terrified by black protest. Indeed, Saturday's use of tear gas in the Western Cape could prove an ominous warning: the state of emergency has been used to crush opposition in the past, and no one is forgetting that

The anti-apartheid protesters return Ministers meet as row over S Africa sports tours grows

MOUNTING controversy over proposed cricket and rugby ours of South Africa has lent added importance to a meeting of eight Commonwealth Foreign Ministers in Canberra to discuss intensified sanctions against the Pretoria govern-

The ministers' three-day meeting gets under way today, and comes ahead of the Com-monwealth heads of govern-ment gathering in Kuala Lum-pur in October. Known as the Committee of Foreign Ministers, the group was set up at the last summit in Vancouver in 1987, and has so far met

Yesterday both Mr Bob Hawke, Australia's Prime Minster, and Sir Sridath Ramphal, Commonwealth Sec-retary-General, spoke out against the proposed tours and warned that they placed the Commonwealth Games, scheduled for Auckland next year, in

jeopardy.
News of a possible tour by a world invitation rugby union XV provoked an immediate storm in Australia because several local players might be involved. Some, interviewed on their return from the annual Bledisloe Cup match between the Wallabies and the All Blacks in New Zealand, indiThe development escalated the controversy over plans for English cricket tours of South Africa during the next two northern winters. The plans, revealed last week, were greeted with shock from the English cricket establishment and outrage from the antiapartheid lobby.
Angry demands for a

response could overshadow the Canberra meeting's more serious debate on financial and trade sanctions against South Africa. The ministers are due to consider a specially-commissioned report said to urge a full embargo on trade for five

They will also receive a report on South Africa's destabilisation of its neighbours, and consider how to strengthen the existing arms embargo. The financial sanc-tions imposed by the world's commercial banks will receive separate endorsement through the launch of a book based on an official Australian report

documenting their succes The committee, a direct descendant of the so-called Eminent Persons Group, com-prises the foreign ministers of Australia, Canada, Guyana, India, Nigeria, Tanzania, Zam-bia and Zimbabwe. Malaysia's foreign minister is attending as cated their preparedness to an observer. Britain is not a member.

NY brings a queen down to earth

The city is gripped by the Helmsley 'show trial', writes Janet Bush

TATTY old man wan-A dered confused inrougation the corridors of the Federal District Court in Manhattan with the sole hope of retribution on his mind. "Can you tell me where the Helms-ley trial is?" he asked. He is one of hundreds of "little people" who have filled the public seats over the last five

weeks, greedily drinking in the prosecution testimony in the trial of Mrs Leona Helmsley. the real estate queen of New York, on tax evasion charges. Her 80-year-old husband, Harry, titular head of the Soba real estate empire, was declared mentally incompetent to stand trial, leaving his wife, defiant in designer clothes but obviously strained, to the hideous ordeal of facing the public for whom she is reported to have had so much contempt.

Harry Helmsley has long been considered New York's wealthiest landowner. Among the buildings owned by his real estate partnerships are the Empire State Building and the Helmsley Building over Grand Central Station Helmsley-Spear, the Helmsleys' main operating company, is one of New York's biggest building managers and real estate and insurance brokers. Its annual

revenues are \$1.1bn. The Helmsley Hotel group owns six luxury hotels in New York, including the Helmsley Palace, the Carlton House and the Helmsley Park Lane. The separate Harley Hotel division runs 17 budget botels and

motor inns in ten states. The main charge is evading about \$1m of Federal taxes by disguising as business expenses some \$4m worth of renovations at the Helmsleys' sonal estate in Connecticut. personal estate in Connecticut.
Contractors working on the
estate were allegedly forced by
Mrs Helmsley to send their bills to Helmsley Hotels instead. For instance, a new



Leona Helmsley flanked by her lawyer as she leaves court

marble dance floor and an enclosed swimming pool at Dunnellen Hall were allegedly described on invoices as hav-ing been installed at Helmsley-

controlled hotels.
Attendance of the trial shot up after the former house-keeper of the Helmsley's 28room Connecticut mansion Dunnellen Hall told the jury that Mrs Heimsley had once said: "We don't pay taxes. The little people pay taxes."

Mrs Helmsley, a 69-year-old hatter's daughter from Brooklyn, has never attracted much affection but the vultures were out in force at Federal Court last week, from the vacationing family sporting bermuda shorts and rucksacks to the quietly amused West Indian in the back row.

The little people can't get enough of this show trial. They pore over every detail of her dress and mutter about what she looks like in the flesh. One old woman whispered to her neighbour. "Her face is so red she must drink." Her friend replied: "No. it's the facelifts." More cruel was the young man who giggled to his neighbour: "She looks like Liberace come back from the dead in

Endless stories over the years of summary dismissals, reaming matches and plain old nastiness have been confirmed time and time again by former employees testifying at

One man told how he was fired while Mrs Helmsley was being fitted for a dress. Even Mr Gerald Feffer, her suave defence lawyer, called Mrs Helmsley a "tough bitch" in his opening remarks.

In what pundits reckon
could turn out to be an
inspired defence, Mr Feffer told

inspired delence, Mr Feller one the jury: "The prosecutors are going to get you to try and hate Mrs Helmsley but you don't put people in jail for being unpopular."

There are the mighty fallen How are the mighty fallen. In the old days, a smiling Leona featured in advertisements for the Madison Avenue Helmsley Palace Hotel with the slogan "The only palace in the world where the Queen stands

In court last week, jurors and audience alike smirked when it was revealed that Mrs Helmsley once spent \$3,400 on handbags from La Jeunesse in a single month but ordered

brassieres from Macy's for \$10.12 and \$14.12. She returned the \$14.12 bras, the court heard to great hilarity. Charged with evading taxes

by getting the hotel business to pay for a cornucopia of luxuries for her \$11m mansion, the jury has been treated to ever more titlliating insights into. her expensive taste.
"Leona meets buffalo bill," screamed the New York Daily

News when the court heard that Mrs Helmsley had charged \$210,000 for an exquisite 15inch iade buffalo to a business account at one of her hotels. Mr Martin Goldstein, Mrs Helmslev's former assistant, many mail order purchases were paid for by the hotel business. She would often browse through catalogues from high class stores such as Saks Fifth

Avenue, Royal Silk and Eliza-beth Arden. "What? No Korvettes?" sneered Mr James DeVita, the businesslike prosecuting attor-ney, referring to the now defunct discount store and drawing a laugh around the

court room. After five weeks of what has been highly effective prosecu-tion testimony, some of it from former employees who took key documents with them when they left Helmsley

when they left hethisley employ, the conventional wisdom is that Mrs Helmsley has already been buried.

One look at the jury suggests that even Mr Feffer's considerable skills may not be able to work a mirror. work a miracle.
Of the 12 men and women, one is a baggage handler, one an electrician, one sports a pony tail, eight are black and none looks as if he or she would ever be able to afford to pay \$281 for a belt. They seem

to get on ominously well, cast-ing each other knowing looks and chuckling at each detail of Mrs Helmsley's lavish lifestyle.

WORLD ECONOMIC INDICATORS RETAIL PRICES (1985=100) % change over July '89 June '99 May :88 109.5 108.8 123.5 116.3 110.0 109.7 3.0 7.0 124.4 124.1 May '89 June '89 June '88 previous year 100.9 France UK USA Japan 111,4 116.8 115.4 126.5 8.3 5.2 3.0 126.1 125.3 117.4 · 104.3 117.6 116.7 Source: (except US). Euroses

To the Holders of

TIPCO FINANCE N.V.

8%% Convertible Subordinated Debentures Due 1996

OF REORGANIZATION FOR TEXAS INTERNATIONAL COMPANY

NOTICE OF PROPOSED PLAN

On August 26, 1968, Texas International Company, filed a Voluntary Petition under Chapter 11 of the United States Bankruptcy Code in the United States District Court for the Western District of Oldehoma. The Alberta Thereather, an Official Committee of Unsecured Creditors was appointed to represent the interests of the unsecured creditors, including the Holders. There also was appointed at Official Committee of Equity Security Holders to represent the interests of the shareholders and warrant holders. On July 10, 1989, the Bankruptcy Court approved a Disclosure Statement portaining to a Plan of Reorganization proposed by the Unsecured and Equity Security Holders Committees as containing sufficient information for a creditor or other party in Interest to make an informed judgement as to whether or not to vote for the Plan. The Court also set October 5, 1989 as the last date for creditors and equity security holders to file objections to the Plan, October 16, 1989 as the last date for ballots to be received, and October 28, 1989 for the hearing on confirmation of the Plan.

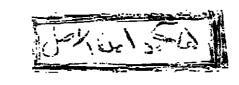
Under the Plan, Holders will receive a pro rate portion of 20 million shares and 20 million warrants to buy shares in the reorganized company. These shares and warrants will be allocated among holders of debentures in addition to the Holders. It is anticipated that the Holders will receive a 88.59 shares of ascets for each \$1,000.00 of clean and 123.00 warrants to buy stock in the reorganized company for each \$1,000.00 of clean. In the event the Bankruptcy Court confirms the Plan of Reorganization, the obligations of Reass International Company to the Holders will be cancelled and declaraged and the Holders when the cancelled and declared on the Holders will be cancelled for under the Plan of the cancelled and declared and the Holders will be cancelled for under the Plan of the organization of the Plan of Reorganization and submit their marked ballots in a timely manner. Copies of the Plan of Reorganization of the Plan of Reorganization and su

Chemical Bank Corporate Trustae Administration 55 Water Street, Room 1820 New York, New York 10041

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CHEMICAL BANK, Trustee Dated: August 7, 1989



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N.V.

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UK NEWS

In brief

Unleaded petrol sales increase by nearly 19%

UNLEADED petrol sales have risen by nearly 19 per cent in the UK this year - the great-est growth of any European

They now account for 22.9 per cent of the home market. Mrs Virginia Bottomley, the junior environment minister, said: "This is the biggest increase in the market share taken by unleaded in any country in Europe in 1989."

Docklands plan

A FURTHER 3,000 homes, most of them flats, could be built in London's Docklands if new plans for part of the Royal

Docks are approved.

The master plan for the south side of the Royal Victoria Dock goes out to interested parties this week.

Downing St barrier A NEW anti-terrorist barrier is

being installed in Downing Street, the UK orime minister's London home, and should be installed this month.

The new barrier - a "Blocker" - will be made of steel and will be designed to spring up if a vehicle attempts to burst through the existing

Workers' treatment

UK COMPANIES are more likely to harmonise the treat ment of white and blue collar workers in the areas of holidays, redundancy pay and pen-sions rather than pay systems, grading structures and hours of work, according to a survey published today in Industrial Relations Review.

Campaigner dies

A peace campaigner was killed in a road accident outside Greenham Common, the US air force base in England where cruise missiles were sited until

Electricity industry calls on Government to underwrite AGR risks

Pressure increases on N-plant sale

By Max Wilkinson, Resources Editor

THE UK Government is facing renewed pressure from the electricity industry to take the main financial responsibility for Britain's newer nuclear plant – the troubled Advance Gas-cooled Reactors.

The industry wants the Government to cover the financial risk of the AGRs, sited at Dungeness B in Scotland, Heysham I in north west England and Hartlepool in north east England, which have a poor reputation for output and may deter investment in the power supply industry when it is privatised.

It is now accepted the AGRs at Dungeness B, Heysham 1 and Hartlepool could only pro-duce about 70 per cent of their original designed capacity, even at maximum efficiency.

Last year, however, the out-put of all three of these stations was less than the original theoretical capacity of only one of them. Some observers question whether the cost of keeping these reactors "on the road" will allow them to run at

an operational profit.

Pressure on the Government has increased following the Cabinet's decision, announced on the day of the ministerial reshuffle last month, to reverse its plan to sell the older Mag-

MR PHILIP Birch, chairman and managing director of Ward White, the UK retail group, is

likely to come under growing

pressure this week to produce alternatives to Friday's increased takeover bid from

Boots, the UK retail chemist

and pharmaceutical group.

The latest offer values Ward

White, the do-it-yourself and

car parts retailer at £900m (\$1.49bn) in cash. Boots has set

a deadline of August 22 on the bid and declared it final,

assuming no other offers

By Andrew Hill

nox reactors. Since most of the Magnox stations will be closed in the next decade, it was argued that the private sector could not be expected to take could not be expected to take on the financial risks of decom-

missioning.
Mr Cecil Parkinson, the former energy secretary decided just before he was moved to the transport department, that with longer productive lives ahead of them the AGRs represented an acceptable private sector risk.

The AGRs are to to be transferred to National Power, the larger of two generating com-panies created for the privati-sation. National Power also plans to build four pressurised water reactors.

The company is now lobby-ing hard to be given a manage-ment contract to run the Mag-nox plant for the rest of their lives, which would provide the company with a safe income, while the Government would carry all the risk. At the same time the company is trying to negotiate a series of contracts which will push most of the commercial risks associated with the AGRs onto the tax-

Rankers advising on the sale also fear investors would demand a steep discount in the

were under consideration, or

when any defensive proposals

This is the last week in

which Ward White can publish

new financial information, so the group may content itself with producing a divisional

breakdown of its interim prof-

forecast it will make £33m before tax in the six months to

The company has already

Speculation about alterna-

tives to the Boots offer centres

on the possibility of a lever-

might be announced.

price of National Power's shares if they thought that they were exposed to signifi-cant nuclear risks.

cant nuclear risks.

Mr John Wakeham, the new energy secretary, now faces the difficulty that if the risks of poor nuclear performance are removed from National Power, he will be under pressure from the rest of the industry to limit the restroic available from but. the rewards available from bet-ter than predicted perfor-

inance. If most of the risks and rewards are taken away, how-ever, he will find it difficult to

ever, he will find it difficult to argue that the AGRs will be better off in the private sector. Risks and uncertainties sur-round the AGRs because Brit-ish Nuclear Fuels (BNFL) Ltd, the state-owned reprocessing company, estimates reprocess-ing costs from the plants will rise rapidly. Under existing contracts. RNFL could concontracts, BNFL could continue to raise its prices to reflect higher costs. If National Power could negotiate a fixed price contract, however, the Government would have to absorb unexpected future price

Investors may be deterred by uncertainties over future decommissioning costs. National Power wants the pro-posed nuclear levy structured

knight" counter-bld. which

might come from Kingfisher,

the former Woolworths group. Mr Birch said yesterday:

"We are working on those sorts

of alternatives, as is our duty, but I don't think I can give any

emphasis to any particular

alternative at this stage.
"Time is of the essence and

discussions are proceeding as

we speak."
A buy-out would probably

involve disposing of some of Ward White's operations. The group's subsidiaries include

Halfords, the car parts and

so that decommissioning costs can be passed on to consumers in advance.

There are also doubts about whether some of the earlier plant can be made to work properly, and what the cost of keeping them going might be. The Cantral Electricity Gen-

erating Board, which currently operates the AGRs, said the performance of the two newest AGRs, at Heysham 2 and Tor-ness in Scotland is looking good in their first year of oper-

It is extremely difficult for the Government to predict whether they will prove reli-able in the long run; but an estimate must be made so that they can be valued for the sale and quite small improvements in performance could make a significant difference to National Power's profits.

One proposal being put to Mr Wakeham is that contracts for the output of the AGRs should ensure that the benefits of bet-ter than predicted output should be passed to the 10 new distribution companies in the form of low priced power. The industry's regulator would ensure that this was eventually reflected in consumers' bills.

Birch considers response to new Boots bid

group together, he said yester-

lay he would not do so irre-

spective of the consequences.

"I'm a pragmatist. I have got to do what is right for shareholders and I can't just sit on the bridge saluting as the ship goes down," he said.

Boots launched its first bid for Ward White - valuing the company at £800m — at the beginning of July, prompting a sharp increase in the share price to well above the 400p offer. On Friday the shares closed just 6p higher than the new 445p-a-share offer. The hostile bid now includes a place of 300p in cash.

COMPANY NOTICES

CHARTER CONSOLIDATED P.L.C.

Notice is hereby given that the twenty-fourth annual general meeting of assemblers of Charter Consolidated P.L.C. will be held in the Caxton Suite at The London International Press Centre, 76 Shoe Lene, London EC48 3.18 (New Street Square entrance), on Tuesday 15 August 1988 at 12 noon for the following purposes:

1. To receive and consider the accounts and the report of the directors for the year to 51 March 1988.

2. To declard a final dividend.

3. To reappoint as directors Str Michael Edwardes, Mr P C D Burnell, Mr D J Davies, Mr J C L Kerwick and Mr A W Las.

4. To reappoint Coopers & Lybrard as suditors and Authorise the board to fix their reconnection.

To consider the following resolution which will be proposed as a special resolu-That the articles of association of the company be and are hereby amended deletion of the first sentence of article 77 and the substitution therefore

following sectorics:

"Each of the directors (other then a director holding any selected office or employment under the Company or any subsidiaries of the Company, shell be entitled

of temperatures at the large of the state of

That The directors of the company, having by ordinary resolution passed on 5 August 1986 hear generally authorised to affor the unissued shares of the company pursuant to section 80 of the Companies Act 1985, be hereby empowered, pursuant to section 95(1) of the seld Act, from the date of the peesing of this resolution until the conclusion of the next annual general meeting, to stict and to make offers or agreements to allot equity securities of the company pursuant to that authority as if section 89(1) of the seld Act did not apply.

(a) in connection with an offer of such equity securities by way of rights to shareholders in proportion to their existing shereholdings but subject to such modifications as the directory deem necessary or expedient in relation to tractional entitionments and legal or practical problems under the laws of, or the requirements of, any stock exchange or recognised regulatory body in, any territory, and

March 1989;
I) the above-mentioned authority given pursuant to section 80 of the said Act shall be varied to, and the power conferred by this spacial resolution shall, allow and entatio the directors to raske others or agreements which would or might require the making of allotments after the expiry of the said authority and of the said power; and if words and expressions defined to or for the purpose of section 94 of the Companies Act 1985 shall bear the same meanings herein."

The companies Act 1985 shall bear the same meanings herein."

Porms of prony must reach the company's registrars, Barcleys Registrars Limbed, 6 Greencost Place, London SWIP 1PL, not less than 45 hours before the meeting. Holders of share warrants to beare who wish to attend in person or by proxy or to rote at the meeting must comply with the relevant conditions governing share

warrants to bearer.

Copies of directors' service commetts will be available for inspection by members at the registered office of the company during normal business hours on any working day (Saturday and Benk Hotkinys excepted) from the date of the notice and vail, on the day of the notice and cleanes wheeling, be available for inspection at the Caudon Suits, The London International Press Centre, 75 Shoe Lane, London EC4A 3JB from 11-45 a.m. until the conclusion of the meeting.

CHARTER CONSOLIDATED P.L.C.

NOTICE TO HOLDERS OF SHARE WARRANTS TO BEARER

Subject to approval by shareholders at the annual general meeting on 15 August 1989, a final dividend of 12.5p per share will be payable on or after 17 August 1989 to persons presenting coopon no. 49 detached from share warrants to bearer. Coupons, which must be left four clear days for examination, may be lodged any weekday (Saturday excepted) between 10 s.m. and 3 p.m. at the Securities Department of Hill Samuel & Co., Limited, 45 Beech Street, London, EC2P 2LX, or at Credit Lyonnais, 19 boulevard des Italiens, 75002 Paris, or L'Europeenne de Banque, 21 rue Laffitte, 75428 Paris. Listing forms may be obtained on application.

Todd may face angry scenes in Liverpool

By Flona Thompson,

MR RON Todd, general secretary of the Transport and General Workers' Union – Britain's largest union – may face angry scenes in Liverpool this morning when he arrives for talks with leaders of what had become a divided docks workforce.

Mr Todd is due to meet shop stewards at 11am, and was yesterday not ruling out the possibility of addressing a mass meeting of dockers. He is likely to urge a return to work, in spite of the dockers' vote on Friday to stay out on strike. MR RON Todd, general

The Mersey Docks and Har-bour Company said it expected almost three-quarters of the

almost three-quarters of the 950 Liverpool dockers employed to return to work today, regardless of the ballot. The company said that by 5pm on Friday 400 dockers had signed and returned new contracts of employment which had been offered to them individually while the dock strike was still on. These men were expected back at men were expected back at work today, the company said. It also expected a further 289 men, who had applied for voluntary severance, to report

back for work. Mr Todd said he was meet ing the shop stewards to out-line the position of the union's executive council.

Last Tuesday it voted by 18 to 12 to end the three-weeklong national dock strike and recommended an immediate return to work while calling on officials to pursue local agreements to replace the abolished National Dock Labour Scheme.

Mr Jimmy Nolan, the Liver-pool shop stewards' leader, said yesterday that Mr Todd should support the decision of the workforce. He claimed only a handful of the dockers om Friday voted to return to work. Mr Todd said he thought there would be a lot of anger and disagreement among Liverpool dockers.

Banks risking debt on property loans

BANKS may have become

BANKS may have become over-exposed in their lending to the UK property sector, according to a Lloyds Bank report published today.

Outstanding bank loans to the sector increased by £10bn or 60 per cent in the year ending May, says Mr Christopher Johnson, chief economic adviser at Lloyds. That was twice the rate of increase of total bank lending to UK residents.

resnents.

The recent tendency for bank lending to outstrip property values suggests the gearing of property companies is deteriorating, Mr Johnson says. However, this is not evident in the net debt to properties rath of the 45 leaves many. ties ratio of the 45 largest prop-

erty companies.
"An increasing amount of their debt is off-balance sheet, in some cases financing devel-opments with a limited recourse to the compa-ny...there is an urgent need to tighten accounting standards so that the true posi-

tion can be measured." says Mr Johnson.

Two years ago the Governor of the Bank of England warned that a careful watch was needed on property landing. The Lloyds Bank report says: "Even if the banks were not over-exposed to property two years ago, there is more of a case for saying that they are over-exposed today."

Mr Johnson says the rise in bank loans has been made "both necessary and possible" by increased property values. In 1967-88 property values were rising at a rate of 30 per cent a year but this had slowed to an annual 18 per cent in the three month period to May.

He says: "If the economy has a soft landing, the property market should be able to survive a set-back without too much trouble. If interest rates

much trouble. If interest rates rise, and a recession occurs, then property values could fall for a time in some areas, with risks to new developments and to some bank loans."

Major plans visit to reassure Hong Kong

By Michael Cassell, Political Correspondent

BRITAIN'S Foreign and Commonwealth Office last night confirmed Mr John Major, the Foreign Secretary, intends to visit Hong Kong for talks with politicians and com-munity leaders. No date has been set, although it is likely to be towards the end of the

News of Mr Major's planned visit follows the recent return from Hong Kong of Sir Geoff-rey Howe, his predecessor. Sir Geoffrey received a highly crit-ical reception in the wake of Britain's refusal to grant right of shods to more than 3r Brits of abode to more than 3m Brit-ish dependent territory passport holders before the Crown Colony is returned to China in

The visit by Mr Major, who faces a similar reception unless there are significant changes in the Government's position, was confirmed as Sir David Wilson, the Governor of Hong

Kong, flew into London. Sir David will today meet Mr Francis Mande, the new minister of state at the Foreign Office. The meeting will provide an opportunity for the governor to provide the latest assessment of the situation in Hong Kong and for the two men to become acquainted. Sir David, who will be on

holiday in Britain for about a month, will also see Mr Major, whom he does not know. It is not expected they will meet On his arrival in London, Sir

David said he would be telling difficulties the Hong Kong community faced, and stress-ing measures people wanted to see in order to restore confi-

There are no plans for Sir David to see Mrs Margaret Thatcher, the Prime Minister, but a meeting before he returns cannot be ruled out.

Mr Major's intended visit was revealed in a weekend newspaper interview, in which he said the future of Hong Kong was "a matter of very high priority." He acknowl-edged that confidence in the colony had been shattered and repeated his recent assertions that the onus was on the Chinese Government to restore

the situation. He said a decision on the number of people from Hong Kong who would be able to set-tie in Britain required considerable thought. However, nobody wanted to see a "vast exodus" which would destroy Hong Kong's own confidence

It is considered highly unlikely there will be a signifi-cant change in the British Govcant change in the British Government's approach to the Hong Kong issue, in spite of Mr Major's appointment. Some Tory MPs are hopeful, however, that the new Foreign Secretary may prove more entitudantic than Sir Geoffrey over the country of the secretary an integraproposals to secure an international solution to any resettle-ment programme which

becomes necessary.

Mr Major met Qian Qichen, his Chinese counterpart, in Paris a week ago, in the first high-level official contact between the two countries democracy demonstrations in June. The two countries agreed to resume talks on the scheduled handover of the colony.

English tourism enjoys 60% rise in investment

By David Churchill, Leisure Industries Correspondent

INVESTMENT in England's Board, said yesterday: "Success tourist industry is enjoying breeds success, borne out by strong growth, having risen by 60 per cent in the first six months of this year over the

first half of last year.

It has reached £3.34bn according to figures released yesterday by the English Tour-ist Board.

The statistics are based on tourist projects either under construction or completed within the six months to the

end of June.
They follow Government figures published last week showing that Britain is heading for a record year in tourism with the number of overseas visitors already up by 16 per cent in the first five months of this year compared with the same period last year.

Mr John East, chief executive of the English Tourist the first half of the year.

last year's tourist boom and now with this huge increase in

He added: "Sport, leisure and retail investment is vital to the continued growth of tourism, providing better facilities and attracting more visitors as a

Hotel construction accounted for more than a third of the total investment underway in the leisure sector in the first half of this year,

the figures reveal. Some 89 new hotels were under construction in this

TUC unveils training plan

By Flona Thompson, Labour Staff

BRITAIN needs urgent expansion of training in schools and workplaces and a more skilled workforce, accord-ing to the country's Trades

Union Congress (TUC).

The TUC, which represents the country's largest labour unions, outlined proposals to radically reshape training in

Britain over the next decade in the latest issue of its monthly magazine, TUC Bulletin.

The article previews a statement - Skills 2000 - which will be presented to the TUC's conference next month.

The skills shortage facing Britain is greater than at any time since the industrial revolution, the statement says. Seventy per cent of the current workforce left school at the minimum school leaving age and 70 per cent of them receive no systematic education or

International competition will grow enormously over the next decade as the Pacific Rim countries produce goods and sarvices ever-faster and ever-cheaper. Skills are in greater demand with the increase in new technologies.

The TUC says the number of young people entering the labour market is falling fast but Britain has fallen behind

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but Britain has fallen behind its competitors because they have injuduced more training. The TUC highlights four weaknesses in existing training; poor distribution of facilities; inflexibility; an assumption that amateurs can excel as well as professionals; and failure by businesses to train. The TUC proposes that a training charter should be established, setting out the training infrastructure an enterprise would be expected

would be expected

Mr Birch was locked in dis-cussions with Ward White's aged buy-out - which could be masterminded by a US bank bicycle stores group, and Pay-less, the DIY chain. Although Mr Birch is advisers yesterday, but refused such as Shearson Lehman or share alternative: one share in to specify exactly what options Bankers Trust - or a "white thought to prefer keeping the

SUPERTRAM

CONTRACTS & TENDERS

SOUTH YORKSHIRE LIGHT RAIL TRANSIT OPERATION AND MAINTENANCE REGISTRATION OF INTEREST

South Yorkshire Passenger Transport Executive has obtained Parliamentary powers for the design, construction and operation of the first line of the proposed South Yorkshire **Light Rail Transit System – 'Supertram'.**

Line 1 of the proposed network will link the districts of Hillsborough, to the north of the City of Sheffield, and Mosborough, a new township on the south of the City, via the City Centre area. It will involve 22 route-km of new railway, including approximately 50% to be constructed as tramway. No existing railway rights-of-way will be used. The Transport Executive has recently been awarded grant funding towards the development costs for Line 1 including the seeking of tenders for design and

construction. It is intended that operation and maintenance will be subject to separate competitive operating agreements. Accordingly interested experienced organisations are invited to register their interest in future tendering processes.

This registration will enable qualification and potential forms of involvement for the following areas of activity to be explored:-

OPERATION OF THE SYSTEM

MAINTENANCE OF THE ROLLING STOCK

MAINTENANCE OF CIVIL ENGINEERING STRUCTURES AND BUILDINGS

MAINTENANCE OF PLATFORMS.

SHELTERS AND LIGHTING

MAINTENANCE OF TRACK

MAINTENANCE OF SIGNALLING AND TELECOMMUNICATIONS

MAINTENANCE OF POWER SUPPLY AND DISTRIBUTION, INCLUDING OVERHEAD LINE EQUIPMENT

MAINTENANCE OF LANDSCAPING

This invitation has also been advertised through the medium of the Official Journal of the **European Communities.** Initial registrations of interest (specifying area/s of activity a-h) should be made by



EXECUTIVE

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7 August 1989 **LEGAL NOTICES**

Notice is hereby given paramed to Section 175 of the Companies Act 1986 ("the Act") flat-

Goldman Sachs International Limited ("the Company") has, by especial resolution peased on August 1, 1989, persuant to Section 173 of the Act, approved a payment out of capital for the purpose of sculping its own shares by redemption. The permusable capital payment as defined in Section 171 of the Act is U.S. 567.774.81:

\$41,774,641;
The statutory dectaration of the directors of the Company and the saddlor's report required by Section 173 of the Act are available for inspection during business hours at the registered office of the Comment. belon 5 Old Selley, London ECAM available for inspection during business hours at the registered office of the Company, being 5 Old Belley, London EC4M 7AH; and Any craditor of the Company may at any time before September 6, 1989 apply to the Court under Section 176 of the Act for making making the Depression and Court under Section 176 of the Act for making making the Depression

for group

in telecoms

licence bid

CITIBANK, the US commercial bank, and C Itoh, Japan's leading trading house, are joining a small Welsh electronics company to make a bid for one of Britain's new personal commerciant to the series.

In several ways, the consor

First, it is being led by Race Group, a privately-held Welsh manufacturer of printed cir-cuit boards. The other consor-tia are being led by leading UK

electronics groups such as the General Electric Company and Cable & Wireless.

The participation of C Itoh is the first firm involvement in

the competition for personal

communications licences by a Japanese company, although Sony has expressed interest.

No US commercial banks apart from Citibank have declared an interest in taking

part in the hids, although several American telecommunica-

tions operators are involved.

Race is controlled by Mr Aifred Gooding. His eldest son, Mr Russell Gooding, said they thought one of the new licences should go to a region-

By Hugo Dixon

munications licences.

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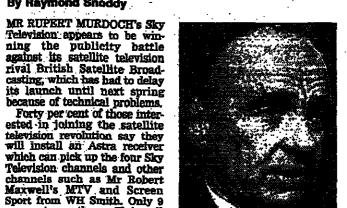
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months ago, Mr Barnes has heard evidence on economic, sofety and local environmental "Neither of the latter seem

destined to prevent a favourable recommendation although objectors have been pressing for an extension of the emergency evacuation zone and from the site and heavy lorry



Sky races ahead of BSB

in satellite TV stakes

Rupert Murdoch: appears to be winning battle

intending to install BSB, a sat-ellite service planned by a con-sortium in which Pearson, pub-lishers of the Financial Times, is a founder shareholder.

According to Mr John Clemens, managing director of
Kennington Research: "The current slowness in installa-tion is not the result of a large section of the market waiting for BSB to arrive, though the knowledge that there is an

a dampening effect on the mar-In July the FT Satellite Monitor estimated that the total number of homes in Britain receiving direct-to-home (DTH) satellite television rose to 127,000, up only 8,000 on June.
July is traditionally a month
of low television viewing, a fac-

alternative has inevitably had

tor exaggerated this year by sustained hot weather. The 127,000 total, which excludes those viewing satellite channels on cable television networks, is based on interviews with a nationally representative sample of more than 4,000 adults aged over 15. July's survey revealed a total of just five newly acquired large dishes and 17 60-centimetre Astra dishes. Because of the small numbers, the margin of error in calculat-ing the overall estimate is in the region of plus or minus

20,000 homes.

For the first time, however, those households saying they will definitely install satellite television passed the im mark, with about 3m saying they probably will. Among 15 to 44 year-olds the potential market has stabilised at around 26 per cent. Interest in older age errous continues to fall. Since groups continues to fall. Since April the percentage of inter-ested 45 to 65-year-olds has fallen from 22.5 per cent to 15.5 per cent.

The most enthusiastic social group is the C2s of market research - skilled working-class households - steady at about 24 per cent.

Since April the percentage of AB professional and managerial households who will definitely or probably install satellite television has fallen from

23 per cent to 19 per cent.

• The FT Satellite Monitor is available from Financial Times Market Research for £1.85.

ally-based company.
C Itoh and Citibank already
have close links with the
Welsh company. In May, the Japanese group took a 20 per cent stake in Race; and Citicorp Venture Capital, one of Citibank's sis-ter companies, holds the remaining 24 per cent not owned by Gooding Invest-ments, Mr Alfred Gooding's

family concern.

An advantage of including Citibank in the consortium is that it operates one of the world's largest private tele-communications networks. Mr Russell Gooding said Race was also looking for a further partner that had expe-rience in public telecommuni-

lawyer makes legal history

By Raymond Hughes, Law Courts Correspondent

LEGAL and telecommunications history will be made today when the first video conference is held between a London barrister and his clients 200 miles away. Mr Sean Overend will chair

Goodman, of the Mancheste dents coming to Britain for further education courses has continued to fall — from 30,000 in 1978 to just under 7,000 by the end of 1987.

Statistical Bulletin 11/89. Students From Abroad in Great Britain 1973 to 1987. DES. Elizabeth House York Board London firm Rowarth Goodman, while they are in Chester by means of television monitors. The system, which is cablebased and works through the British Telecom network, has been devised by LawLink, a video communications

|Welsh lead | No joke for funny tummy cases

Lisa Wood on latest moves to end the rise in food poisoning

HE "funny tummy" has traditionally been a fea-ture of venturing across the English Channel. For most Britons, food poisoning in the home or local restaurant has not been a burning issue. But as holiday Britons have been struggling home from a typhoid-hit Spanish resort, hundreds of people in the north-east and west of England have contracted food poisoning from contaminated cooked meats. Three have died.

This group may also be joined by Olivetti, the Italian computer group.

They are the latest in an increasingly international list of companies vying for one of the licences which are designed to create a mass mar-For many consumers these latest outbreaks in the UK point to an epidemic of homegrown micro-organisms responsible for food-borne gastro-en-teritis. Government figures partly ket for mobile communica-

back up this popular belief. Official figures show the total of "formally notified" plus "otherwise ascertained" cases of food poisoning have increased each year since 1982, with the exception of 1985. The provisional figure for 1988, according to Sir Donald Acheson, Chief Medical Officer, was 41,196 cases, almost three times the rate for 1982. Figures also show summer peaks with one of the worst outbreaks in Britain - at the Stanley Royd Hospital in Wakefield, where 19 people died in 1984 – occur-

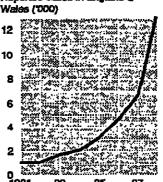
ing during a heat-wave. However, while illness from organisms such as listeria found recently in pate and which can cause severe disorders for pregnant women, including death of the foetus-are on the increase, the most common source of food poisoning is from salmonella infections. Such micro-organisms, most commonly found in poultry, meat and dairy products, were the source of the food poi-



soning in the recent outbreaks in Wales and County Durham. However, within the salmonella family there is a strain of bacteria called salmonella enteriditis - which is found mainly in poultry - which has been the real villain over the past few years. Government figures show a 13-fold increase in cases of food poisoning attributed to this source since 1981. Reasons for the increase in this strain of salmonella are many, and a source of fierce debate within the industry. Modern intensive methods of production are blamed by some critics for the current outbreak of contamination.
Last November Mrs Edwina
Curry, then a junior health

minister, remarked that "most" egg production was contaminated. While Mrs Currie lost her job

over her errant remark and egg sales plummeted, the conin both the awareness of the British public towards food Salmonella enteritidis Reported cases in England &



contamination and government pronouncements over food poi-

soning generally.

A new code of hygiene practice for Britain's poultry pro-ducers was among the first official initiatives with the Government's white paper on food safety, published last week, the most recent develop-

ment.
This proposal, criticised by many public health bodies as not going far enough, seeks to ensure the whole food chain is covered by legislative controls, though its impact will be great-est on food processors, wholesalers and retailers.

Mr David Statham, chairman of the policy and resources committee of the Institution of Environmental Health Officers whose members are responsible for policing food manufacturers and retailers, said: "A major problem for us has been outdated legislation."

Previous legislation, dating from the 19th century, does not address current eating habits,

such as take-away foods, chilled ready-prepared foods and

cold snacks, he said. "If you wanted to operate a sandwich shop you have not even been required to have them stored under refrigeration." Similarly, he said, food handlers have not needed to be trained in food hygiene.

"Chefs," said Mr Statham, "may know how to make foods taste and look nice but they do not necessarily know how to make them safe to eat." Foods he said, were often not properly cooled, were inadequately re-heated or prepared too far in

dangerous temperatures.

The proposed new legislation, he said, made steps in the right direction, with some pro-vision, for example, for improved training of food han-

But but he was disappointed, for example, that food stores and catering establishments would only have to be registered as a information-gather-ing exercise, rather than hav-ing to comply with certain standards before being regis-

Mr Statham also said the public – which has recently been inundated with government leaflets on food hygiene within the home - should also become more vigilant.

"The British are too reticent about complaining," said Mr Statham. "How many times have you heard people com-plaining when a butcher, for example picks up raw meat and then cuts cooked ham without washing his hands. It is an obvious source of crosscontamination and people should object or vote with their feet."

Murdoch's use of media attacked

By Raymond Snoddy

up and running.

By Raymond Snoddy

MR RUPERT MURDOCH'S Sky

Television appears to be win-ning the publicity battle against its satellite television

rival British Satellite Broad-

casting, which has had to delay

its launch until next spring because of technical problems.

Television channels and other

channels such as Mr Robert Maxwell's MTV and Screen Sport from WH Smith. Only 9

per cent say they will install

The potential good news for Sky Television, which launched its service in February, comes in the fifth monthly

FT Satellite Monitor carried

out by Kennington Research. The monitor tracks the sales of

satellite equipment and con-sumer intentions.

made up their minds on which of the two competing systems they will choose. A further 26 per cent say they do not know much about either system.

The findings reveal consider-

able indecision, caused as much by lack of knowledge and awareness as a rational

postponement of choice until both incompatible systems are

Among those who have decided, Sky/Astra leads by

Among the 4m households who say they will definitely or probably have satellite televi-sion, 25 per cent have not yet

BRITISH Satellite Broadcasting yesterday called on the Gov-ernment to reconsider its position on cross media ownership, following a survey suggesting that Mr Rupert Murdoch's Sky Television was being advertised disproportionately in his five national newspapers. A survey of satellite televi-

sion advertising in national newspapers since last Decem-ber found that Sky spent more than four times as much with News International newspa-

pers than with other national titles. Bartle Bogle Hegarty, BSB's

technics rose by nearly a fifth in the period from 1983-to 1987, according to figures from the

Department of Education and Science.

the end of 1987, there were more than 65,000 overseas stu-

dents taking higher education courses in Britain.

Hong Kong, Malaysia and the United States continued to

send the most higher education students, while the number of students from the European.

Community nearly doubled in the 1980s to 11,500, with Greece, West Germany and

France sending most students.

The number of students from

The figures show that up to

By Joel Kibazo ...

advertising agency, said that Sky Television spent £4.64m at full-rate card prices, with News International titles, and only the rest. In July the two figures were £1.17m and £307,000, respectively.

BSB, a satellite venture in which Pearson, owner of the Financial Times, has a substitute of the financial state.

stantial stake, sees the figures as indication that Mr Murdoch may be abusing his position as an owner of both national newspapers and satellite televi-

sion channels.

Number of overseas students rises

THE NUMBER of eversess China grew throughout the students studying full-time at British universities and poly-end of 1987.

China grew throughout the oversess student numbers, the total still lags behind the peak

Female students now account for one third of over-seas students, compared with a

Business, administrative and social studies formed the most

popular subject group, accounting for 26 per cent of all students, although engineering and technology followed closely, accounting for 24 per cent of subjects studied

by students from abroad.

First degree courses were the fastest growing sector with

over a third of the total taking

Overseas postgraduate num-

bers increased by a third over the period to 23,000.

quarter in 1980.

be able to own no more than 20 per cent of a commercial television venture.

Sky is, however, not included, because it is broad-cast from a Luxembourg-owned satellite. BSB has been running a campaign to get Mr Murdoch's satellite channels included in cross-media ownership restrictions. News International said yes-

terday that it looks forward to carrying advertisements for BSB in News International titles, which would be charged The Government has said at the same rate as Sky Televi-

year of 1978, when almost 70,000 overseas students stud-

Overseas student numbers

dropped substantially after

1980 after a government deci-

sion to charge them the full cost of their courses. Numbers

began to rise again after 1984.

However, the number of stu-dents coming to Britain for fur-

beth House, York Road, London

Video link for

a conference with his clients and their solicitor, Mr John

Equities overvalued, says Phillips & Drew

By our Financial Staff

HIGH dealing activity and "short-termism" have persisted in some pension funds since the 1987 stock market crash, according to the UK's second largest pension fund managers, Phillips & Drew Fund Manage ment, which manages portfo-lios worth £14bn for UK institutional clients.

Meanwhile the UK equity market has again become over-valued, say the firm's strategists, who correctly reduced their exposure to equities ahead of the 1987 crash.

Figures for activity have been calculated for a new edi-tion of *Pension Fund Indica*-

tors, PDFM's annual guide to investment perspective. According to Mr Jim McCaughan, a director of the firm and editor of the book, complaints of low turnover by stockbrokers are not borne out by statistics, which show the average holding period for UK

equities is between three and

four years.
"Given that some funds are undeniably long-term in their approach, this suggests that short-termism may be creeping into some quarters of the industry," he comments. But PDFM's own turnover levels are normally below average.

excellent investment performance by equities over the long term, as well as the poor performance of gilt-edged and other fixed-income securities. Over the past 25 years, the real return on UK equities,

after allowing for inflation, has

been 6 per cent, on cash 1.5 per cent and on gilts zero. However, gilts have performed better over the past ten years, achieving a 6.6 per cent real return in this period, which is still only half the corresponding real return on equi-

PDFM considers the 25-year currency bonds.

The book highlights the real returns on equities and cash are likely to be sustainable for the future over the long term, but the return on gilts is "very uncertain, being at risk from future inflation". In the short term, however, PDFM believes the UK equity market has reached unrealisti-

cally high levels.

Anticipating a hard landing for the UK economy next year. the firm has reduced the UK equity exposure of client pen-sion funds to close to the normal minimum of 50 per cent, and is putting money into index-linked gilts and foreign

Pensioners' income rises 23% in seven years

By Eric Short, Pensions Correspondent

THE AVERAGE net income of pensioners in the UK has risen by 23 per cent in real terms between 1979 and 1986, according to the latest Economic Progress report from the Trea-

the population as a whole.

The increase is attributed to two main features - the gains arising from private savings, and the benefits emerging from occupational pension plans and the State Earnings-Related Pension Scheme (Serps).
The report explains that each year more people are retiring on two pensions – the basic state pension and either Serps or an occupational pension scheme. In 1986, 50 per cent of all

pensioners, but 70 per cent of newly-retired people, had an occupational pension. A similar picture emerges for private savings, with 70 per cent of all pensioners, but 85 per cent of those newly-retired, receiving income from savings

The Treasury report admits that not all pensioners have shared in this increased prosperity, particularly the older and disabled pensioners.

From October, all disabled pensioners and other pensioners aged 75 or over - some 2.5m people — will receive an additional state pension of £2.50 a week for a single person and £3.50 a week for a married

Between 1978-79 and 1988-89, expenditure on social security benefits paid to the elderly had risen by 27 per cent in real terms. That reflects the increased payments under Serps as the scheme matures and a 10 per cent rise in the

growing proportion of married women receiving a pension in their own right rather than as dependants of their husbands.
The report predicts that by 2025 the number of pensioners in the UK will have risen from the present 9.5m to about 13m. The ratio of people of working

age to those of pension age will fall from 3.4 to 1 to 2.6 to 1. The report says this high-lights the need to release the talents and energies of older people who want to continue working and that the concept number of people receiving the state pension, particularly a should become outmoded.

Economics likely to generate Hinkley verdict

SE1 7 PH. Free.

David Green looks at factors which may influence the outcome of the public inquiry

HE public inquiry into plans for Britain's sec-ond pressurised water reactor (PWR) nuclear power station has entered its final

hase.
Mr Michael Barnes QC, the inspector, has the difficult job of deciding whether or not to recommend that the proposed Hinkley Point C plant should be built It is one of four PWRs which the Central Electricity Generating Board believes will be

needed before the year 2000, at a total capital cost of £5.9hn. Each reactor will generate about 1,175MW of electricity and is expected to take between six and seven years to

The Hinkley inquiry, which has begun hearing final sub-missions, is due to resume on September 5 after a summer recess and is expected to be completed within the following

three weeks.
Mr Barnes's report to Mr John Wakeham, Energy Secretary, may be submitted in February or March next year.

Hinkley Point C is being opposed by more than 20,000 individuals and organisations including the leading UK envi-

Sizewell plant.

mental matters of deep concern to local people and national groups - including the siting of a workers' hostel, routine radiation emissions



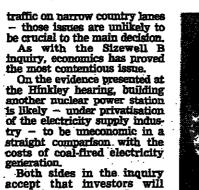
Michael Barnes; will not take final decision

steps to reduce environmental impact, such as the burying of new power lines which would be necessary if the plant is

While the generic safety of the PWR has been challenged, few issues have been identified further to those raised during the 27-month inquiry into Size-well B, Britain's first PWR, under construction in Suffolk. Hinkley Point C would be an almost exact replica of the

There are already two nuclear power stations at Hinkley Point, on the Somerset coast, and by the time a third could be built the oldest plant, a Magnox power station, is almost certain to be closed.

Although there are environ-



demand a higher rate of return from nuclear power because of higher financial risks, includ-ing the uncertain cost of decommissioning stations. The Government has intro-

duced legislation requiring the new electricity distribution companies to buy between 15 per cent and 20 per cent of their power from non-fossil Early in the inquiry the inspector rejected a CEGB submission that it was not neces

sary, in view of the non-fossil fuel requirement, to compare the costs of nuclear power and coal-fire generation. Evidence subsequently submitted by the board and by opposition groups confirmed nuclear power was likely to be the more expensive.

With the electricity supply

industry about to be privatised

the Government has sought to

ensure a diversity of sources Both the Government and the CEGB believe it pays to have a diversity of power sources to ensure security of supply, and the extra cost to consumers is worth paying.



report early next year

Coal currently produces about 80 per cent of the UK's electricity. Because few renewable energy schemes — such as wind turbines — have been commissioned, almost the entire non-fossil fuel requirement will, initially at least, have to be met by nuclear power. Objectors at the Hink-ley Inquiry have called for the benefits of a diversity policy to

it is difficult to quantify secu-rity of supply and the confi-dence that it gives to a country's overall economic growth. Objectors argued there must be a limit to the price paid to

be expressed in money terms. However, the CEGB has said final decision on whether to proceed will be made by National Power, the largest of the CEGB's successor compa-

maintain diversity.

The Council for the Protection of Rural England told the hearing that a greater and However, the existence of a non-fossil fuel requirement makes it likely that contracts more secure diversity could be obtained without distorting the market with the non-fossil fuel will be signed.

of energy conservation and efficiency would lead to a reduced electricity demand. That could be met by a variety

renewable energy projects.
Such projects, they suggest,
would be more attractive to a
privatised industry, offering
shorter construction periods and lower capital costs.
Objectors also differ from the nuclear industry over the role

of small generating plants, including gas-fired units and

which can be played by nuclear power in reducing global warming, the so-called greenhouse effect. The industry says nuclear power does have a significant role because it can replace coal-fired stations which produce large amounts of carbon

dioxide. one of the main "greenhouse" gases. However, objectors said that using nuclear power in this way will merely divert money from energy conservation and efficiency which, they claim, would be more effective in were more confident than reducing global warming.
Even if Mr Barnes recom-mends approval for Hinkley greater among higher Point C and that view is endorsed by the Government, a

The shadow board of National Power has yet to obtain contracts for the electricity which will be produced by the power station over its projected 40-year lifetime.

Young confident in spite of high interest rates

By Raiph Atkins,

THE YOUNG remain the most confident consumers in spite of high interest rates and the slowdown in the economy, according to a report published

Consumer confidence indicators calculated by Staniland Hall, the business forecasting group, show a steady fall in optimism in each age group in the past year. However, in the three months to June, 18 to 34-year-olds were still the most confi-

dent consumers. The gloomiest age group was the over 64year-olds.

The results suggest young people, who might be expected to have bigger mortgages, have not been disproportionately hit by the sharp rise in interest rates. Stantland Hall says the rate of fall since last summer has been roughly equal in all age groups, although pensioners have seen a slightly slower decline. The report shows men

socio-economic groups.

The confidence indicators are based on surveys and include questions on the general economic situation, households' own financial situation. and expectations about prices and unemployment.

women and that optimism was

When asked about the future economic situation, less than one in five of those in the study believed that it would improve in the next 12 months. Consumer spending forecasts, Staniland Hall Associates. P.O. Box 643, Alderbury House, Upton Park, Slough, SL1 2UJ. £110 single issue.

International fur trade scurries away from City

By Maurice Samuelson

THE INTERNATIONAL fur trade, which has thrived in the City of London for more than 300 years, is tip-toeing out even faster and more conclusively than the press abandoned Fleet

Next month will see what could well be the City's last fur auction, ending a chapter begun in 1670 with the grant of a Royal Charter to the Hudson Bay Company by King Charles

Rocketing property prices, which sent the newspaper barons scurrying south and east of the City, have also put the skin trade to flight. The Hudson's Bay House auction centre, at 67 Upper Thames Street, is about to be

demolished as part of the big redevelopment which is tearing up the river bank directly opposite the newly found site of Shakespeare's Rose The redevelopment will earn its owner, the Hudson's Bay

Canada parent company, far more than it makes out of the London fur trade. Demolition teams are also uprooting the close-knit fraternity of fur merchants and commission agencies from the nearby buildings in Garlick Hill, St Thomas Apostle Street

and the aptly named Skinner's Lane. Next month's auction will be the seventh in London this year. They account for a total annual business of £100m -£150m, with a similar level of

activity carried out on outside the auction hall. There are wider reasons for the exodus. Although the Hud-

son's Bay Company fortunes were founded on the great Canadian "fur forest", it is now primarily involved in oil and gas, property, banking and retailing, with fur account-

ing for only 5 per cent of turn-In North America, its last remaining auction house, in New York, is being merged with the business in Toronto, which has already been sold to its management.

In London, the rot began two years ago when Hudson's Bay Canada sold its local auction house, Hudson's Bay & Annings, to Finnish Fur Sales, a powerful co-operative of 4,000 Finnish mink farmers. After next month's auction, the London sales will be transferred to Helsinki.

Mr Tony Kehyaian, a direc-tor of Hudson's Bay & Annings, says that, if it had not been for subsidised rents, the auction house would have been shut two years ago. "We have been living in a fool's par-

Britain is, in any case, only a minor market for furs and 95 per cent of those auctioned in London were for re-ex-

Most of the big sales take place in Scandinavia and Leningrad and most of the tailoring of furs takes place in the cheap manufacturing centres

of the Far East. Hudson's Bay & Annings will keep a London toe-hold to deal with British fur farmers. But after 300 years it is leaving the City and will follow the Garlick Hill residents to a North London suburb.

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University medical buildings

The eastern region of WIMPEY CONSTRUCTION UK has been awarded a £9m contract by Oxford University Fixed Ass for the new Edward Robinson Squibb building, which will house the University's Department of Pharmacology and an adjoining building for the Medical Research Council's anatomical neuropharmacology

unit. The development will comprise three wings totalling some 7,240 sq metres in five and six-storeys, with an in situ concrete frame and brick/block walls on bored pile founda-tions. Windows will be of aluminium and the roofs timber-framed with tile and PVC sheet finishes. Boiler house, roads, pavings and landscaping are included in the contract which is due to be completed in March 1991.

Start-up industrial units

Property developer Bridge Gate Developments has awarded design and build contracts totalling £5m to HEWGATE CONSTRUCTION.

These include a 40,000 sq ft speculative development of 20 B1 start-up light industrial units on the Bridge Gate Business Park in Aylesbury. The units are accomodated

within a series of three two-storey buildings being con-structed partly in brick and horizontal sheet cladding on a steel framework. Work is also about to start

ogy business complex on the Foxholes Industrial Estate in Hertford. When completed in October the complex will include 15 B1 freehold business units rang-

ing in size from 1,000 sq ft to

back to tnorf.

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Messrs Shareholders are hereby convened to the Extraordinary General Meeting of Shareholders to be held at the registered office of the Company on August 23, 1989 at 3.00 p.m. with the following agenda:

Notice to the Shareholders

Agenda

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on a 38,000 sq ft high-technol-

CONSTRUCTION CONTRACTS

Business park project in Marlow

Orbis.

LOVELL DEVELOPMENTS has begun the first phase of the redevelopment of its Thames Industrial Estate at Marlow,

Originally occupied by tim-ber yards, the 12-acre site has been managed by Lovell Devel-opments as an industrial estate since the early 1970s. The estate forms a natural continu-ation of the Globe Park business park development on the A404 Marlow bypass. The first phase of the scheme follows

Comprising about 48,000 sq ft of B1 accommodation in two three-storey blocks, the build-ing work will be carried out by Lovell Construction under a £5m design/build contract.

tive brickwork, clerestory win-

the neighbouring development

entrances are features of the design. The air-conditioned in Fieldhouse Lane known as buildings will be carpeted and include open-plan space for office and/or light industrial use. The development will be surrounded by paved and landscaped areas. There will be parking for 190 cars. Work has started with comple-tion scheduled for summer Further phases will follow 1990. A combination of decora-

and, as the leases expire, the entire estate will be redeveldows, deep overhanging slate

roofs and clearly defined

Better health facilities in Yorkshire will involve constructing a 168-bed general hospital block

LAING CONSTRUCTION has won nearly £20m orders in Yorkin three and four storeys, plus alterations to existing theatres. shire. The largest is a £14m contract awarded by Trent Regional Health Authority for the north block of Sheffield's Northern General Hospital This project will be under-taken as a joint venture with

Trent RHA has also awarded a 23m contract to build long-stay facilities for mentally ill people at the Swallownest Hospital in Rotherham. Some 48 beds will be provided in a series of single and two-storey buildings designed on traditional lines. Crown House Engineering -Laing-Crown Sheffield - and

An extension to the Alfred x-ray facilities.

Spread of work for Tarmac

Civil engineering and building projects worth about £14mhave been awarded to TAR-MAC CONSTRUCTION. They include a £2.8m contract for signing and building roads and sewers on a business park development at Coleshill, Birmingham, for The Birmingham Business Park Partnership. Work has started and is due for

completion in a year. Two orders have been awarded for work on two sites for Asda Stores. At Eastbourne the company has a £2.8m contract for fitting-out a superstore and building a petrol-fill-ing station, and at Kendal a £633,000 contract for site

At Warton Aerodrome, Pres-

ton, the company has a con-tract for refurbishing a hangar for British Aerospace (El.1m) and at Baglan, West Glamor-gan, is building factory units for the Welsh Development Agency (£lm).
Other contracts include fit-

ting-out a warehouse and offices at Hedge End, Hamp-shire, for Whitbread and Company (£749,000); reconstructing a dock jetty in Bute Town, Cardiff, for Cardiff Bay Development Corporation (£479,000); and refurbishing offices at Bromborough, Merseyside, for Van den Berghs and Jurgens (£364,000).

The contract housing divi-sion has contracts worth over

Bean Hospital at Driffield will provide a 24-bed community hospital for the area. Yorkshire RHA has awarded a £1.5m contract for a low-rise extension which will house the outpa-tients, minor injuries and rehabilitation departments, a day unit for elderly people and

Housing schemes in Glasgow

FAIRCLOUGH has three contracts totalling £4.5m for housing schemes in Glasgow. For Jamaica Street, the company is building a seven-storey block of flats in West Graham Street which will provide 79 one, two, and three-bedroom flats on five floors above two floors of car parking. The com-pany is rehabilitating 32 flats in Dalhousie and Rose Streets. The third project is modernisation of a mixed residential/retail complex in St Vincent Street, where Fairclough is upgrading 15 flats and six

English China Clays laboratory



This model is of a 74,000 sq ft central laboratory SCIENTIFIC LESSER is building for English China Clays on an $11\frac{1}{2}$ acre site at the new St Austell Business Park. Work on the £8m contract has started, and the facility is expected to be operational by the spring of 1991.

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Published June 1989

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Decision to change the investment restrictions of the Company, so as to adjust these pursuant to legal requirements for the registration of the Company as an Undertaking for Collective Investment in transferable securities (UCTTS) in accordance with the Luxembourg Law of March 30, 1988. Decision to amend and/or renumber all articles of the present Articles of Incorporation to reflect such changes, namely as they relate to the object of the Company being the investment in transferable securities in accordance with the law of March 30, 1988, to the unfinited duration, to definitions of permitted investments and investment restrictions and to conform these to necessary and useful changes pursuant to the Luxembourg Law of March 30, 1988.

The Shareholders are advised that a quorum of one half of the shares outstanding is required for the holding of the Extraordinary General Meeting and resolutions will be passed by an affirmative vote of two thirds of the shares present or represented at such Meeting.

The text of the restated Articles of Incorporation, showing the proposed changes, can be obtained from the registered office of the Company on simple transets and without any cost.

changes, can be obtained from the registrace. The owners of bearer shares will have to deposit their shares five clear the owners of bearer shares will have to deposit their shares five clear the following bank which is authorized to the owners of ocumer sources will have to ocposit meir shares five clear days before the Meeting with the following bank which is authorized to receive the shares of deposit, Kredletbank S.A. Luxembourgeoise, 43, boulevard Royal, L-2955 Luxembourge.

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Heiliza Bidg. Society Fitg: Rate Ln. Nts. 1994 \$183.52 Kloof Gold Mining 14.951716p Libenon Gold Mining 4.900528p Mansfeld Brewery 7.25p Edinburgh Oil & Ges Mining & Allied Supplies Relyon
TR Pacific Inv.
DIVIDEND & INTEREST PAY-Minty 0.47p tional & Provincial Bidg. Society Fitg. Rate Nts. 1991 £327.67 MENTS-Angle Leasing 3.5p BP 3.65p Do. (Int.Certs) 3.65p Brown Shipley 6.5p Cape Inds. 5.5p Cons Buildontein 4.5cts. Royal Bank of Scotland Fitg. Rate Nts. 2005 £163.05

Venterspoat Gold Mining 8.050924p Visted Grp. 0.1p Walker & Staff 3p THURSDAY AUGUST 10 COMPANY MEETINGS-GEI Int. 4.4p Gartmore American Sec. 2.5p Griqualand West Diamond Mining 20.5cts. Hardys & Hansons 9,4p ICI 7% % Un. Ln. 1986/91 Berkeley Grp., Old House, 4, Heath Road, Weybridge,

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Royal Dutch Petroleum Shell Transport

American Express 21cts.

Do. N/Vtg. A 15p Conversion 93, % 2001 47, pc.

Renold 2p Salvesen (Christian) 3.1p FRIDAY AUGUST 11

COMPANY MEETINGS-

Aberfoyle Hidgs., Globe House, 4, Temple Place, W.C., 11.00 Campbell & Armstrong, Midland Hotel, Peter Street, Manches-

DIVIDEND & INTEREST PAY-

Smith & Neohew

MENTS-Amber Indl. 9.750

8TP 4.5p Cohen (A.) 15p

Gesteiner 1.50

Do. Cap. 0.075p

Pennant Grp. 0.29

ber, 11.00 BOARD MEETINGS-

Stavert Zigomata

West Tst. Interime; Alliance Tst.

March Grp.

MENTS-Anglia TV 2.5p

Hobson 0.5p NCR 33cts.

Panfida Grp. 0.5p Pathfinders Grp. 0.4p Scott's Restaurant 4.3p Stead & Simpson 3.9p

MENTS-

Stad & Simpeon 3.99
Do. A N/Vig. 3.99
TR Australia Inv. Tat. 2p
Tams (John) 2.4p
Turnbuil Scott 3.85p
Waterglade Int. 2.75p
SATURDAY AUGUST 12
DIVIDEND & INTEREST PAYMENTS.

Exchequer 11% Ln. 1990 5.5pc.

Unitever

Aukett Assoc. 1,250

1.4438pc. 8½% Un. Ln. 1988/93 10.00 10.00
CPU Computers, Sherwood Place,
Copse Road, St. Johns, Woking, 12.00
Cropper (James), Burneside
Mills, Kendal, 10.30
Somic, last Drop Hotel, Bromley
Cross, Bolton, 12.00
BOARD MEETINGSFinals: ٥o. 0.6521pc. Johnson, Matthey 5.5p Powell Duffryn 14.5p dioptein 900cts. COMPANY ACCURACY

COMPANY ACCU Finele; Compco

COMPANY MEETINGS-Stead & Simpson, Fosse Way, Syston, Leicester, 230 BOARD MEETINGS-Bullers Davies & Metcalie Frost

interime; Capital & Counties Continental & Ind. Dares Estates Kleinwort Oversess Life Sciences Int. Manchester Ship Canal

DIVIDEND & INTEREST PAY-MENTS-Anchor Int. 12.38cts. Brown & Tawse 6.650 Burns-Anderson 1.9p De Beers 40% Cm. Prl. (Reg.) 23,175290 Do. (Br) 23.17529p Do. 8% Cm. 2nd Prf. 0.92701p

Fleming Universal Inv. Tst. 2.2p Hoskyas Grp. 1.3p Hoskyns Grp. 1.3p
Reed Int. 8p
Staveley Inds. 4.9p
Triplevest 73 % Db. 1987/91
313pc.
Widney 0.5p
WEDNESDAY AUGUST 9
COMPANY MEETINGS-

Amersham Int., Hotel Inter-Conti-nental, 1, Hamilton Place, Hyde park Corner, W., 12.00 Cale Royal, 68, Regent Street, W., 12.00

Street, W., 12.00

Bristoi Evening Post, Temple
Way, Bristoi, 12.00

E.R.F. (Hidgs.), Chimney House
Hotel, Congleton Road, Sandbach, Cheshire, 2.30

Racal Elect, Institute of Electrical Angua 14 Zep
Apricot Computera 1.25p
Bermuda Int. Bd. Fd. 30cts.
Bridgend Grp. 0.4p
Builder Grp. 1.7p
Caledonia Invs. 6.5p

Engineers, Savoy Place, Strand, W.C., 11.45 Vistec Grp., Midland Hotel, Derby, BOARD MEETINGS-McKay Securities Property Security Inv.

Ansbacher (Henry) British Alcan Aluminium Commercial Union Fairway (London) Foreign & Colonia GKN Heywood Williams impala Platinum Metal Bulletin

Simon Eng.

Ultramar DIVIDEND & INTEREST PAY-

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DIARY DATES

Trade Fairs and Exhibitions: UK August 13-17 Gifts Fair (0473 622093) Hove Town Hall Appest 17-20

Antiques Fair (04447 2514) Kensington Town Rall August 26-28 Town and Country Festival (0203 696968) September 3-6

Top Drawer Gift and Decora-tive Accessories Exhibition (01-727 1929) Alexandra Palace September 3-7 International Autumn Fair (01-855 9291) Olympia

September 5-8 International Carpet Fair (021-705 6706) Exhibition Centre, Harrogalt September 5-8

Offshore Europe Exhibition and Conference (01-549-5831) tember 10-13

International Menswear -MAB (01-487 8754) Raris Court

September 12-14

August 25 - Sept 1 World Fair for Beverage Tech-nology - DRINKTEC-INTER-BRAU (01-948 5166) Munich August 25 - Sept 3 International Audio and Video

Fair (01-930 7251) September 3-9 (0375 392222)

Leinzig Show of the Nationa Exhibition (01-977 3474)

373161)

Business and management conferences

Management Centre Europe: The fundamentals of finance and accounting for non-financiai managers (32/2/516.19.11) September 6 Tolley Conferences: Payroll manager's review third annual updating conference 1989 DIVIDEND & INTEREST PAY-

(01-680 5682) London Press Centre tember 11 The Industrial Society: Annual hours - principles into practice (01-262 2401)

September 12 CBI Conferences: Pay and per-Caledonia Invs. 6.5p
Caradon 7.5p
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Do_(Rest., Fransier) 30cts.
Control Securities 0.45p
Fleming American Inv. Tst. 0.5p
Harrisons Malaysian Plants 5een formance (01-379 7400) Centre Point, London September, 13-14 * Financial Times Conferences:

Point of Sale, Merchandising Point of Sale, section and and Display Exhibition and Conference (01-948 3291)
Susiness Design Centre, lelington

September 19-23 Antiques Fair (0447 2516) Cheisea Old Town Hall September 15-33 International Bost Show (0703

737311) Southampton ptember 17-18 DIY Trade Show (01-302 8686) Baris Court September 18-22

International Handling & Stor-age Exhibition (0665 58431) NEC, Birmingham Sentember 18-19 International High Definition Television Exhibition - HDTV

(01-931 9985) Turn Hotel, London September 19-22 International Helicopter Technology & Operations Exhibition (01-549 5831) Redhill Ascodroma

September 25-28 International Police Exhibition & Conference (01-446 8211)

Barbican, London

International Fisheries Indus-

try Exhibition (01-948 9900)

International Motor Show

International Hardware Show

International Technical Fair

International Robotics, CAD/

CAM, Automation Engineering Exhibition - PRODUCTIQUE

September 14-24

IAA (01-734 0543)

Sentember 17.25

(01-836 5219)

Sept 28-Oct 8

(01-225 5566)

QUOJEM (01-225 5566)

Overseas Exhibitions

Berlin International Autumn Fair

September 13-14 Pre-Press Exhibition (0372

September 13-17

Hotel Inter-Continental, Frankfort September 13-15 ANCE+CETHA: World conven tion of trading companies (39 2

4618121) Tolley Conferences: Duties and responsibilities of a company secretary (01-680 5682)

September 15 The Economist Conference Unit: Deregulation and joint ventures in international telecommunications strategies

(01-839 700) Royal Garden Hotel, London September 21 CBI Conferences: City investor relations (01-379-7408) Centre Point, London World Motor (01-925 2323)

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes to the details published

FINANCIAL TIMES CONFERENCES

RETAIL FINANCIAL SERVICES

London, 2 & 3 October, 1989 After a two year interval this conference is being held again in London and the agenda is remarkably full. The Impact of the Single European Market on the retail financial services industry will be the principal theme of the opening day and the outlook in the United Kingdom, the opening day and the outlook in the United Kingdom, where the competition is increasing every day, provides the focus of the second day. Among the speakers are: James Larkin, American Express Europe Ltd; Silvio Malitius, Bundeskartellamt; Charies Winter, The Royal Bank of Scotland Group pic; Don McCrickard, TSB Bank pic; Günther Schmidt-Weyland, DG Bank; Dr Peter Troberg, Commission of the European Communities; Seymour Fortescue, Barclays Bank PLC and Peter Sutherland, Chairman Designate of Allied Irish Banks pic.

CAPITAL MARKETS WORKSHOPS London, 16-18 October, 15-17 November, 4-8 December,

in 1988 the Financial Times and Price Waterhouse Joined In 1988 the Financial Times and Price Waterhouse joined forces to arrange a highly popular series of capital markets workshops. The Workshops provide intensive training for small numbers of individuals and a turther three are planned this Autumn. The programme provides detailed coverage, supported by case studies of capital markets activities, ranging from underlying concepts through the specific markets and instruments, to practical guidance on key aspects of management and control of the business including operations, risk management and business including operations, risk management and performance measurement.

BUSINESS WITH SPAIN FORUM: STRATEGIES FOR 1992 & BEYOND Madrid, 6 & 7 November, 1989

With the continuing international interest in Spain, the Financial Times is arranging this Autumn its fourth Financial filmes is arranging this Autumn its fourth Business with Spain Forum. To be organised in association with Expansion, the conference will focus on the economic outlook for Spain and Europe and then go on to assess a number of major issues of interest to the banking and international business community. Speakers include: Norman Lamont, UK Treasury Chief Secretary; Claudio Aranzadi Martinez, Spanish Minister of Industry & Energy; Luis Carlos Croissier Batista, Comision Nacional del Mercado de Valores; Sir Martin Jacomb, Barclaya de Zoete Wedd; Manuel Guasch Molins, Ebro: Francola Zoete Wedd; Manuel Guasch Molins, Ebro; Francols Henrot, Compagnie Bancaire; Emilio Botin Rice, Banco Santander and Mario Conde, Banesto.

WORLD SHIPPING IN THE 90s Amsterdam, 14 & 15 November, 1989

The FT proposes to stage a major conference to coincide with the Europort 89 Exhibition. After the difficulties of the past few years, the hopes and signs are for a recovery in the world shipping industry. The aim of this conference is to examine current trends and look at the industry's prospects and opportunities for the long term. Speakers taking part include: Henk Rootliep, Royal Nedlioyd Group; Hans Jakob Kruse, Hapag-Lloyd; Erik Toenseth, Kvaerner industrier; Martin Stopford, The Chase Manhattan Bank NA and Hiroshi Takahashi, NYK Line.

All enquiries should be addressed to: Financial Times Conference Organisation 126 Jermyn Street, London SW1Y 41,J Tet: 01-925 2323 (24-hour answering service) Telex: 27347 FT CONF G Fax: 01-925 2125



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International

management

By Michael Skapinker

comes to Kiev

THE INTERNATIONAL

Management Institute in Geneva has built up a formida-

ble international reputation.

The International Management

Institute in the Soviet Republic

of the Ukraine hopes it can do

IMI-Kiev, which opened its

doors last month, is a joint venture between IMI-Geneva

and the Institute of Economics of the Ukrainian Academy of

Sciences. The chief negotiator for IMI-Geneva was Bohdan Hawrylyshyn, its former direc-tor, who was born in the

Ukraine. Bringing management edu-

cation to eastern Europe has

been a long-standing goal of

several western business schools. Last April, the London

Business School ran a course in the UK for 20 Soviet manag-

ers. LBS claimed that its programme was the first offered to

Soviet managers by a western

IMI-Kiev is still recruiting

for what it hopes will be an international faculty. Its teaching languages will be Ukrainian, English and Russian.

business school.

MANAGEMENT

The surviving executives of the previous chief's fierce cost cuts The state of the s

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His reputation as a man of action had arrived before him, and with the business in decline they were prepared to

Indeed they had been surprised when, instead of snapping out his own diagnosis and prescribed cure at the start of his first senior managers' meeting, he had invited and evidently listened to their views. But now the moment of decision had come.

"As from this instant," the

decision-maker went on, glancing at his watch, "I'm going on holiday for three weeks. By the time I get back, I expect you to have worked out a strategy for turning the company round." That chief executive is one of 14 heads of UK businesses who, in return for a promise of anonymity, have just taken part in a controversial research study together with their topmost management teams. In their most recent financial years, they presided over a combined turnover of £34.5bn of which pretax profits aver-

aged 13 per cent.
The study of the chiefs and their right-hand colleagues about 50 executives in all — is controversial because it bucks the trend in business-school thinking about managerial

While hardly anyone now supposes management to be an exact science, it's still largely seen as a straightforward schools."
craft, says Professor lain ManIt was gham of Bath University's

nyone with a keen interest

in the detailed operation of the human body would prob-ably find working as a researcher for Pharmacia, the big Swedish healthcare and instrumentation

group, close to paradise.
The company's interests include

eye surgery, medical diagnostics, pharmaceuticals and highly com-plex equipment for analysing or

purifying biological materials. Not

only is this range of disciplines extremely exciting to the scientific-mind, the company backs these fields with unusually large amounts

Pharmacia spends about one fifth

of its annual revenues, which last year reached SKr6.8bn (£650m), on

research and development (R&D) - a high proportion even by the stan-

dards of high-tech sectors like drugs

of hard cash.

A theory confounded

seats. "Right then, here's what. I'm going to do," his successor IManagers who prove to be craftsmen

Michael Dixon assesses some research which finds that executives do not work to a blueprint but use their intuition

management school who led two colleagues, Annie Pye and expect to spot which is happenthe research. "Good managers are thought to have a clear mental blueprint of the future result they want, and a set of self-contained skills called 'competencies. They use the competencies like a mechanic uses tools to arrive at the result specified by the blue-

At the top level, for example, the skills would be of two main kinds. One would be strategic competencies such as the forecompetencies such as the fore-sight to spot what the organi-sation's aim should be, and the analytical skills to plan the best broad way of achieving it. The other kind would be tacti-cal competencies including the communications skills to per-suade the employees to follow the plan, and the knowledge of finance, marketing and so on to control progress.

"The craft view is convenient for people like me," the professor adds. "It implies that, provided people have the right aptitudes for the work, they can be made into good managers by sending them on courses not least in management

It was with the craft view foremost in mind that he and

Susan Abbotson, set out on the study with a £40,000 grant from the Economic and Social Research Council. By detailed questioning of the 50 execu-tives, the Bath trio planned to establish what sorts of compe-tencies contributed to good performance at senior level, in which ways they might be linked with company success, and how they could be assessed and developed.
"So much for planning,"

Mangham sighs. The search for what he now calls the "identikit manager"

calls the "identikit manager" proved futile.

Although the executives are undentably good at all aspects of their jobs, their overall competence could not be traced back to specific competencies. Far from being able to tell whether the skills in use at any one time were strategic or any one time were strategic or tactical, the researchers found no evidence to support even the basic assumption that man-agers operate by first thinking out what to do, then doing it. "Given that so much mana gerial work is done in the mind

rather than just planned in it worked for in the past. - negotiating is an example -an outside observer can hardly

ing," says Mangham. "But the executives themselves make no distinction between the two. "To them, thinking and doing are inextricably inter-

twined. And while they use their minds intuitively as well as rationally, they don't do a spell of reasoning followed by a spell of intuiting. They do both at the same time. Perhaps that's why they're not stumped by what some managers would see as paradoxes, like a need to improve product quality while cutting costs. Their answer might be to have fewer employees each responsible for raising the quality of their part of the

Another finding was that the executives did not look on themselves as general manag-ers with the ability to run pretty well any organisation regardless of its circumstances. They rejected the idea that they were guided by widely applicable "management prin-ciples". Their main guide was a series of object-lessons they had learned, like apprentices, from managers they had

Nor, in most cases, did they see themselves as individual



operators. Top management, in their typical view, consists of teamwork.

Even so, the study showed that the members of a particular company's team each tended to have a different "style" – defined as a characteristic overall approach. "The fact that executives have particular styles doesn't mean they always make the same response to the same kind of challenge," the professor adds.
"Take, for example, the new
chief who took a holiday and left the managers he'd inher-

ited to frame the recovery plan

- which worked, by the way.

He'd never have made his own
plan before consulting them.

"That's not his style. But he

wouldn't always respond to the problem of turning round a business by leaving the planning to managers who'd worked there longer. If what they told him hadn't convinced him that they knew what needed doing, he'd have stayed and made the plan himself. The three researchers found

that the other executives worked in similar vein. While their broad style remained consistent, they varied their spe-cific acts to suit their judgment of the nature of the challenge and the resources available to meet it.

"In sum, it seems that far from resembling mechanics working to blueprints drawn top managers are like creative artists," Mangham continues.

Those we studied don't run their organisation by operating it as skilled workers would a machine tooi; they shape it like sculptors do their raw material. Moreover, they learned the job by actually doing it, modelling themselves on established practitioners they saw as masters. As a result they've pieced together a particular sense of what can be done with the material to hand under particular conditions, and of what sort of result will be 'good enough' in the circum-

stances." Mangham thinks the findings have a profound implication for management develop-ment. They suggest that managers — in the sense of leaders of enterprises as dis-tinct from administrators of systems — cannot be "made" by formal courses of training in husiness schools or any in business schools or anywhere else.

"The only way creative arts can be learned properly is by doing them for real under the eye of respected masters, and top management is no excep-tion. So organisations needing to develop managers need to split themselves into small business units, and set bud-ding executive talents to run them. It should be possible to do that without incurring too much risk.

"As for management schools, we can help by supplying 'art-ists' materials and equipment', by teaching them additional techniques and so on, but only as an adjunct to the in-the-job learning. But another role for us that's at least as important is to serve as critics of the work the managers produce.

The school will offer a one-year Masters of Business Administration degree to managers with at least three years' experience. It will provide shorter courses for more senior managers. It will also offer research and consulting ser-vices to other educational insti-

tutions and to individual firms. Professor Oleh Bilorus, the acting director of the new institute, says that perestroika has brought with it a new Soviet attitude towards management. "Management of industrial production has ceased to be a political issue and is no longer regarded as an exclusive feature of capitalism. It has been admitted that the laws of scientific management are the same

for any society," he says. He adds that "those Soviet concerns which go international without knowledge of scientific and applied manage ment may go bankrupt and do great harm to this country's

national economy." At the beginning of next year, IMI-Geneva is to merge with Imede in Lausanne. The merged school, the Interna-tional Institute for Management Development, will continue the association with IMI-Kiev.

The commercial university of Uppsala

Peter Marsh reports on Pharmacia's research strategy

■ Mr Neil Kerr has been appointed to the board of BZW RESEARCH after returning from two years with BZW in

Tokyo. He will undertake

research into international

equities. Mr Christopher

Turner, a senior property

analyst, also joins the board.

appointed finance director for BRITISH CREDIT TRUST, the

Ireland. He was credit director

Mr Robin Kerr has been

finance arm of the Bank of

w. HAWLEY & SON has

Sefton Hawley who died in

made Mr Michael Hall its chairman in succession to Mr

■ Mr David G. Calladine has been appointed managing director of FLYGT PUMPS,

pumping plant and equipment. He was marketing director.

a supplier of submersible

Baron Willem J.R. van

Lynden will become general manager of RABOBANK NEDERLAND, London, on

September 1. He succeeds Mr

return to The Netherlands to

At HERCULES Mr E.R.W.
Prescott has succeeded Mr J.
Garwood as managing director

■ Mr Paul Harwood, formerly

MANAGEMENT as a director.

■ Mr Neil Barton has joined

GEOFFREY OSBORNE as a

■ CALLIDUS GROUP has

James Heath as financial

controller. Mr Janes was

and Mr Sells a director of

Callidus with finance.

has appointed Mr Jon

Advent, the venture capital company that has provided

managing director of Fisons

Scientific Instruments Group

manager.

director. He was general works

appointed Mr David Janes as managing director, Mr Andrew. Sells as a director and Mr

a director of Mercury Asset Management, has joined

NEWTON INVESTMENT

following his retirement.

Henk G. Gentis who will

become deputy head of the international division of

Rabobank Nederland in

tying scientic work to commercial objectives. Although not a major force in the world drug industry, it is one of the leaders in biology-based instrumentation such as chromatography and protein analysis.

It also has a good position in medical diagnostics, which is based on kits of chemicals for identifying physiological conditions linked to

The important job of co-ordinating Pharmacia's broad spread of sci-entific activities, and of meshing these with business goals, belongs to Elof Johansson, the company's 53-year-old R&D director.

or electronics.

What has made Pharmacia stand and other research workers whom out in recent years is its success in Pharmacia employs — half of them

at the company's headquarters at Uppsala and the rest in centres in Finland, the US, Japan and Britain. Johansson says that much of the

scientific drive of Pharmacia is predicated on the idea of linking research firmly with business units. Another theme is to make a clear distinction between pure research -which his company makes a point of not doing — and product develop-

As a result of this policy, Pharmacia, for all the importance it attaches to new scientific ideas, has no centralised research laboratories of its own.

Instead, all 1,600 R&D workers, who number about 15 per cent of the company's total staff, work in rules and goals involved in these

teams in commercial divisions which also include marketing and

sales-support people.
Part of the company's philosophy
is to strike up strong links between
Pharmacia's scientific and technical workers and educational and research establishments in Sweden. Johansson says his company expects these groups to be thinking about pure science, leaving Pharmacia to get on with the exploitation.

"We (Pharmacia) think of ourselves as the commercial university of Uppsala," he says. "We try hard not to get involved in pure research. What we do is really all about prod-

two areas are quite different. We have thought about having a (pure) research set-up of our own. But we rejected this because you have to be free to grab the innovations from wherever they are. If you are not

doing pure research yourself this helps to stop the NIH (not invented here) syndrome gaining hold."

Many of the basic ideas behind Pharmacia products have come initially from scort in a number of tially from work in a number of research institutions with which the

company has strong links. They include the Karolinska Insti-tute in Stockholm, Uppsala University and the University of Linkop-

Out of these connections have come, over the past 40 years, scien-

treat bowel disease, blood substitutes, chromatography (chemical separation) materials and reagents for eye surgery - all of which are now staple products for Pharmacia. Johansson says that a vital part of

tific advances in areas like drugs to

Pharmacia is to get on well with people in the scientific institutions outside the company and to listen to It follows that Pharmacia is also dependent on these establishments receiving adequate funding from

government bodies on which they rely for most of their finance and on

the R&D worker's function within

morale of staff in these places remaining high. He himself knows the world of Swedish pure research very well having been part of this community up to 1984 when he joined Pharmacia; his previous job was professor of obstetrics and gynaecol-

ogy at Uppsala University.

APPOINTMENTS

Chairman of Parsys appointed head of the environmental policy department of NATIONAL British Coal

Mr Douglas Stevenson has been appointed chairman and Mr Ian Coburn finance director of Parsys, a THORN EMI subsidiary. The company was formed last year to commercially develop and market the Supernode 1000 series of high-performance. transputer-based parallel computers developed under the ESPRIT programme. Mr Stevenson will retain his present post as chief executive of Software Sciences, a sister company. He was chief executive of INMOS until its sale to SGS-Thompson earlier this year. Mr Coburn was Thorn EMI's manager of management information

■ SD-SCICON has appointed Mr Frederick Adelmann as group chief accountant, and to the European board. He joins from Charter

■ NORWICH UNION INSURANCE has appointed Mr Sean White as national sales manager (appointed representatives).

■ Mr A. Leasor has been appointed a director of LLOYD THOMPSON.

Mr W.M. Houston, managing director, BP Energy, has been appointed chairman of the COMBINED HEAT AND POWER ASSOCIATION.

Mr Gary Noon has been appointed vice president, UK pharmaceutical division, E.R. SQUIBB & SONS. He was marketing director of the

■ CLIFFORD CHANCE has appointed Mr Rodney Short to the Paris office and Mr Peter Cornell to the Madrid office. Both are international bankingpartners.

Mr David Cowie has been appointed chief financial officer and secretary of the MANCHESTER BUILDING SOCIETY. He was director of finance, Lancashire

Enterprises. ■ Mr David McLachlan has been appointed credit and risk director at MIDLAND MONTAGU, part of Midland

Mr Tony Newnham has been appointed chairman of D.G. director general of the Durham International, with of Directors, has been Mr Nick Morgan as chief executive. Mr Brian Durham member of the SOUTH is chairman of D.G. DURHAM ELECTRICITY BOARD.

& CO, and Mr Alf Day has been appointed managing director. Mr David Hall, chief executive of Accident & General, has been appointed to the board of parent company D.G. Durham Group.

Mr Peter Bromwich has been appointed a non-executive director of EADIE HOLDINGS. He is managing director of Midland City Properties.

Mr Geoff Rades has been appointed finance director of both N & P and FIOS WINDOW GROUP. He was finance director and company secretary of Shelvoke Dempster.



Mr Ed Slater (above) has been appointed to the new post of group managing director of the PREMIER METROPOLIS GROUP. He has been sucded as financial director by Mr Michael Graham.

■ Mr John Sadiq has joined the main board of VISTA ENTERTAINMENTS as a non-executive director. He remains a director of Manchester Theatres.

Mr Tony Pattemore bas been promoted to director and general manager of the FEDERAL EXPRESS SYSTEMLINE. He was operations director.

■ MINET INSURANCE BROKERS (UK) has appointed Mr Peter Smith, Mr Jeremy Turnage and Mr David Vose to the board. Mr Phil Buckingham has joined the board of J.H. Minet Reinsurance Brokers.

Mr Peter W.Ll. Morgan, director general of the institute appointed a non-executive member of the SOUTH WALES ELECTRICITY BOARD.

POWER. He was chief scientist, Ministry of Agriculture, Fisheries and

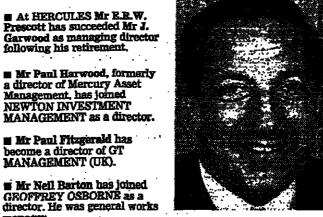
secretary. He succeeds Mr David Brandrick who has retired. Mr Shelton was head of the Corporation's information technology to become executive secretary for British Coal in June.

from Citicorp Investment

■ NATIONAL HOME LOANS **HOLDINGS** has appointed Mr Niget Terrington as group treasurer - he was divisional director of structured financing. Mr Paul Dare becomes chief operating officer of National Home Loans Bank he was treasurer of NHLC.

HENRY COOKE GROUP. He was head, corporate finance department, York Trust.

Francis Moore have been appointed directors of GM Benefit Consultants, a



Mr Francis Jackson (above) has been made sales director at CROWN CORK COMPANY succeeding Mr Peter Clarke who continues as a non-executive director.

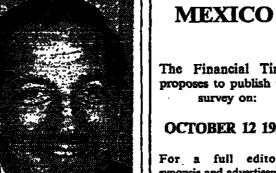
■ Mr Alex Rodger, vice York, has been appointed manager and director of The ■ GELDERMANN FINANCIAL Royal Bank of Scotland

■ NRITISH COAL CORPORATION has appointed Mr Martin Shelton as its department in Doncaster prior

Southgate as director -European marketing. He joins

■ Mr Robert Wilson has been appointed a corporate finance director in the Leeds office of

Mr ian Hammond and Mr MAHON HOLDINGS.



president of THE ROYAL BANK OF SCOTLAND'S North America regional office in New

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LEGAL COLUMN

Finding right niche is name of the merger game

AS THE curtain closes on what has been a particularly hectic year for the legal profession, it is a fair bet that as lawyers turn their attention momentarily to such matters as reac-quainting themselves with their children, a number will be trying unsuccessfully to push to the back of their minds anxious thoughts about what the next 12 months might hold

for them and their firms.
Chief among the worriers will be the partners of medium-sized law firms who, no doubt heartily sick of being told that they must get bigger or become true "niche players" if they are to survive in the new competitive era, may nevertheless begin to wonder if there is not something in it

after all. There is the added complication of competition from accountants and foreign lawposals to allow multinational and multi-disciplinary partner-

ships become law sometime within the next two years. It would be surprising if some of them did not resolve immediately to recommend to their partners on return from holiday that the firm should pursue a strategy of merger at all costs in the coming year as the simplest solution to the

That, however, according to Spicers Consulting Group, the consultant arm of accountants Spicer & Oppenheim, would be a mistake. The third paper in its series on strategic issues for law firms entitled A Merger is not a Strategy devotes itself to dispelling this widely held

Spicers' basic premise - on which July's legal column touched - is that lawyers need to recognise that their business is an industry rather than solely a profession. Firms that delay accepting those implica-tions will find their businesses

deteriorating.
In particular, they argue that law firms which do not develop a business strategy will become progressively less successful in an increasingly competitive market.

Merger negotiations, and mergers themselves, have little chance of success unless they are guided by a business strategy. But a merger is not in itself a business strategy. It is an action a firm may take in pursuit of such a strategy.

The first step in formulating

a business strategy for law firms, Spicers says, is to identify where the firm wishes to compete in the legal market. Who are going to be the key clients and what range and depth of services should the firm offer in order to build a significant relationship with

Having determined that, the firm must then decide how it intends to gain a competitive

advantage in its chosen market position. How will it differenti-ate itself favourably from other firms competing for the same clients?

It must then determine the critical factors for success -what capabilities must it develop to achieve its market priorities - and finally it must review and develop its strategy in the light of the changing competitive environment.

Whether merger is an appropriate course, and, if so, with what type of firm, depends on the first step in the strategy: deciding where to compete in the market. Spicers says. The key strategic question for law firms is: "across how

wide a range of services must

we provide specialisations to meet the needs of our targeted For firms which decide that their targeted clients require specialisations across board, size becomes the driving

force of the business. For the larger City firms, for example, the combination of breadth and specialisation is essential, not only because the needs for external legal advice of the largest UK companies are becoming more specialised, but because the legal industry is becoming increasingly concentrated.

The trend is towards a smaller number of firms gaining a larger share of the largest companies' business.

Medium-sized firms may decide to compete in depth on a narrower front. In this case, Spicers says, the achievement of a small number of specialisations should be the driving

Success in competing in denth across a restricted range might lead to rapid growth, but such growth would be a conse-quence of successful specialisation, rather than the driving force of the business.

A firm whose strategy is to meet a wide range of large company needs will require depth across a broad range of services. If its resources are currently too small to meet this strategy, then merger with another firm with complementary skills could be the best way of competing with all other firms competing in the large company market sector. Medium-sized firms which

choose to compete in depth across a small number, say three or four, of core specialisations may find merger unat-tractive for several reasons. Possible merger partners

may have unprofitable services outside the desired core specialisations; a profile of professional staff at odds with what is required; substantial support overheads which would largely duplicate those in place in the other firm; or a very different culture. Merger in these circumstances would be "very

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There are alternative courses of action that medium-sized firms can take in these circum-stances. One suggestion put forward by Spicers is for the firm to reduce the breadth of its services and channel all its resources into its chosen core

This, they note with a cer-tain degree of perspicacity, "would be an uncomfortable option to take in the short term because it would almost certainly result in the loss of people (both partners and fee earners) and would force some who remained to move into areas of work in which they were not previously expert. In some cases, however, it can carry a higher chance of success than merger." cess than merger."

So there are different courses by which law firms can achieve their preferred market position. Merger is unavoidable "only where a firm chooses to build depth across a broad range of services, and wishes or needs to do so in the short term".

The course chosen will be affected by certain criteria including scale - how great is the need to increase overall size to get depth and breadth; time constraints - merger is the quickest way to achieve results; size and quality of resources demanded by each specialisation — the need to add a large number of lawyers to a service in order to create a

specialisation may mean merger is the most practicable route; and culture. If a firm decides merger is the correct course then, Spi-cers say, potential merger part-ners should be assessed against a shortlist of factors,

such as bases of accounting, client lists, profitability, man-agement skills (do they exist to the extent required to run a combined organisation), cul-ture, remuneration technology requirements and premises. Of these factors, culture is likely to be critical, Spicers says. Mistaken marriages

between cultures are a hazard when the top people on each side base their view of cultural compatibility solely on a per-sonal liking for each other. Finally, it warns, many so-called mergers are in fact takeovers. Each party should therefore take a realistic look at the quality of its manage-ment compared to that of its

proposed partner. A third-party opinion might be useful here. It should then stand back from the decision to merge and ask if, at the end of the day, it would really matter if it was taken over by the other firm.

If the answer is yes, then it should only proceed with the utmost caution. If that is not possible the proposed merger should be ahandoned. There is much food for thought here while buried to the neck in-sand by vengeful offspring.

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Potential Made Possible

ARTS

Die fliegende Holländer

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There are opera festivals where people dress up for glossy. brochure hyped events that may be fun (as well as costly) to attend but add little to the sum total of serious artistic endeavour. And there are also opera festivals where place, audience, work and perfor-mance style "add np" to create a special, and strictly inimitable, sense of celebratory

On my own cherished list exemplifying the latter type, the names of Glyndebourne, St Louis, Santa Fe, Wexford, Savonlinna, and (of course) Bayreuth figure prominently. To them I would now add Bregenz, having just visited the 44-year-old festival on the Austrian curve of Lake Constance trian curve of Lake Constance for the first time, and having seen and heard a production of Der fliegende Holländer which counts high among the most thrilling and dazzling pleces of lyric-theatre spectacle of my entire opera-going experience. It is staged by the ENO team of David Pountney (producer) and Stefanos Lazaridis (designer); and it is the latest in the long line of Brezenz's

in the long line of Bregenz's "Spielen auf dem See" given on the enormous Seebuhne the stage in the lake shallows, with both performers and audience (seated in a water's edge amphitheatre) exposed to the stars - or, in the case of the eighth Fliegende Hollander performance, earlier this week, a chill evening breeze and a passing patch of drizzle.

These open-sit productions of popular opens, — in recent years Flute, Hoffmann, Turandot, interspersed with opereitas and musicals - have become famous for their sophisticated channelling of means to delight a large audience of locals and tourists as well as more knowledgeable opera devotees. But this Fliegende Hollander appears to represent a new Bregenz develop-ment: without sacrificing any

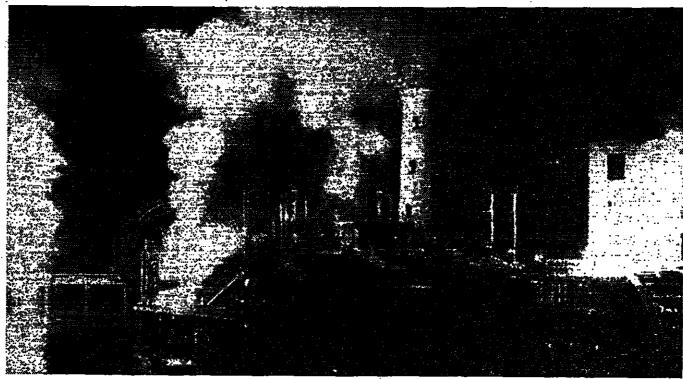
popular appeal it is at once more elaborate (and, I believe, costly) in its appropriation of the stage and the surrounding waters than anything given here before, and more radical

in its dramatic approach.

Producer and designer have, indeed, taken command of a huge space of natural beauty, and turned it into a Dutchman dragen, and days, they have 51 dream-cauldron; they have fil-led it not with realistically detailed sailing ships but with extraordinary mechanical structures – and filled the opera itself with a fresh "inner life" as vivid and exhibitating as the location in which it Pountney and Lazaridis use the main Seebühne to flesh out

their Industrial Revolution land-and-seascape - vast chrome waterwheels, spinning machines that rise menacingly into action, a central deck able to tilt asiant and shoot out jets of water to suggest Daland's steam-ship in storm-tossed motion. A lighthouse at the back towers over everything; to the right of the main stage the Dutchman's hulk floats free or spurts into action - it is not a ship but a huge moto-rised barge, on which is sup-ported an enormous foursided house-facade pivoted to spin phantasmagorically whenever Vanderdecken's craving for release dominates the action.

This last is an invention of almost unbelievable ingenuity; so is the grid-platform that rises up out of the water on the left side of the main stage carrying a massive grand piano – once risen it stands (or rather floats) firm, and shallow enough for Senta and Erik to wade about thereon. The whole concatenation of properties and defined areas allows the drama to be propelled across an enormous yet finely defined space; the boundaries of land and water seem all but dis-solved, as do those of fantasy and reality. When, early on,



Dream cauldron: extraodinary mechanical structures make up the set of "Die Fliegende Holländer"

Senta salls past the front of the main stage on a floating chaise longue, dressed in crimson and avidly reading an enormous crimson book, the worlds of Wagner, Lewis Carroll, and Freud are on the point of combination.

It would take columns of close-packed detail to describe the mastery of the mise-en-scene - the feats of hallucina-tory lighting, the burst of fire-works, the synchronised whiz-zing of all the various mobile components. One begins to believe that the lake itself is being magicked into previously unimaginable theatrical life. In some of their Coliseum collaborations, notably the 1982 "indoor," Dutchman and the 1987 Lady Macbeth of Mtsensk, this team has through sheer exuberance threatened to bursts the seams of the thea-tre; here, they have found a "theatre" big enough to sustain their love of theatrical animation.

Yet the most most remarkable feature of this production is that, in spite of all its show-biz elements, the action is concentrated to focus attention exactly where it should, on the interestingly deployed: Miss Plech, a native Austrian, has a leading players. Bregenz offers multiple casts for its crowded soprano limited in colour resources but appealingly clear Wagner schedule; on this occa-Under Ulf Schirmer the sion I caught Robert Hale Vienna Symphony Orchestra (the festival's resident band, (Vanderdecken), Linda Plech (Senta), Hans Tschammer (Daland), Wolfgang Schmidt (Brik) and Donald George (Steers-man), and without exception concealed within the stage) and the chorus (townspeople alongside visitors from Vienna

detailed physical control of their acting. At a distance their performance was given with-out break, paced with utter naturalness, and - it seemed facial expression may not be visible, but their "speaking" sharpness of physical posture - gripped by the same sense of once-in-a-lifetime inspiration that suffused the staging. The Bregenz amplification, which in directionality and fullness of tone makes Harvey On Bregenz's second Goldsmith's Earl's Court Car-men set-up seem like the Earl's Court tube-station public-address system, showed alike the beauty and genuine Wagnerian power of the musical perfor-mance. Mr Hale, Covent Gar-

marvelled at the intensity and

certainly is.

opera-stage - more conventionally enclosed within the Festspielhaus that forms part of the Seebühne complex -there is a revival of last year's Samson et Dalila, produced by the first of Bregenz's British directorial talents, Steven Pimden's most recent Jokanaan, has become a Heldenbariton of lott. David Murray's review of the original praised it gener-ously at the time, and I subnotable distinction, with tone not perhaps as solidly hand-some as that of his compatriot scribe in every particular to James Morris, but much more

Indeed, I exceed it, since (unlike my colleague) I admire the work itself, and find that all its best features are high-lighted by this severely beautiful new-look, stripped down to the same starkness that Pimlott's designer, Tom Cairns, found for the WNO-Opera North Trojans. (Why doesn't the ENO borrow this Samson and Sofia) played and sang with unstinted fervour. The production?) Carlo Cossutta, essentially (in spite of occa-sional tonal loosening) the same sympathetic, generous, free-voiced dramatic tenor that

> Saint-Saëns's hero: he provides the evening with nobility, and a true emotional centre. Any festival that can offer two such original, integrated, honest, dramatically urgent productions side by side demands to be taken seriously. Next year Bregenz will revive its outdoor Dutchman, while indoors there will be a new production of Catalani's La

Covent Garden audiences used

to know and love, is again

Max Loppert

The Bartered Bride

COVENT GARDEN

The selection of works that the Komische Oper has brought to London has been cleverly devised. The company is shown, Janus-like, facing in both directions – back to the past with its famed Felsenstein revival and into the future with its two Harry Kupfer productions, including The Bartered Bride.

The Smetana is by no means an unexpected choice, for it fol-lows in a long tradition of German interest in the opera. (Almost half the extant recordings of the piece are in German translation.) Indeed, one of the salient points of the Kom-ische's performance is that it is sung in a way that shows the cast expect the audience to understand every word and it is only unfortunate that the language is again German. Happily, though, Kupfer has seen to it that he tells the story

of the opera in a manner clear to all, without any of the extreme slants that his avant garde reputation might have solicited. There have been other versions which trip more lightly through the scenes of dance and comedy, but Kupfer – amusingly – does include a starring role for an obliging pig, who is always happy to swallow unwanted marriage contracts.

For the rest, this is the kind of detailed, strongly rehearsed show that might expect these days from ENO (even if their own production a few years ago was actually rather more colourful). It is a world of real people, from the cleverly-observed individuals who make up the excellent chorus to Sabine Paszow, whose attractive and very human Marenka leads the cast with style. Her aria, too, was sung with just the right streak of metal.

Unfortunately, not all the soloists share her vocal accomplishments or her ability to wrestle with Kupfer's body language and come out on top. Michael Rabsilber was a hefty Jenik, in the German tradition of heavy tenors in the role. Andreas Conrad's Vasek is only half bashful and soon gets up to things with Marenka that most Vaseks would be embar-rassed to dream about, and the Recal of Hans-Martin Nau was unexaggerated, but gruff.

tonic heaviness was to be found in the pit. As at the Offenbach on Monday, the orchestral sound was distinctly middle-heavy, no doubt emphasised by the players hav-ing to cope with an unaccustomed acoustic, while Rolf Reuter is no equal to the best of his Czech predecessors in finding the score's lightness

For those who wish to dip a toe into the new wave of East German opera production, this is the show to choose. The last production, Orfeo ed Eurydice is still to come, but the advance photos suggest a controversial evening to be preferred by the adventurous, ready to undergo total

Richard Fairman



Sabine Paszow: leads in style as a very human Marenka

ARCHITECTURE

The story behind the creation of a masterpiece

Diography is one of the best forms of reading on boliday.

have problems.

Can the biography of a new building make interesting reading for the layman? I think that Stephanle Williams's new book, Hongkong Bank: The Building of Norman Foster's Masterpiece (Jonathan Cape, £40), demonstrates that there is rich drama and suspense in the creation of a great new corporate headquarters. But, like the building itself, the book is cool and objective while dealing with and objective while dealing with important architectural issues.

It was in 1978 that the Hongkong and Shanghai Banking Corporation embarked on the process of building a new head office in Hong Kong that would be not just a prototype, but the most advanced office tower in the world. Norman Foster was 44 when he won the competition and was well-known in Britain as a leader in the field of the rational development of

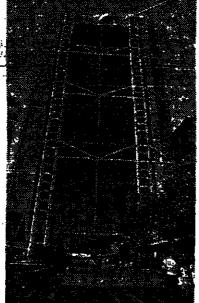
building components.

I well remember talking to him for a radio interview around the time of the Hongkong competition about his puzzlement over the fact that it was easy to buy an incredibly sophisticated motor car off the peg, but almost impossible to buy, for exam-ple, an efficient and well designed kitchen. He always went back to first principles and he was always ready to tackle the manufacturers of compo-

design discovery. There is more time to There is no doubt about the talent immerse yourself in the of Norman Foster, he has always been detail of someone else's life — and to way ahead of his contemporaries with comfort yourself that even geniuses — whom he is sometimes compared He. There is no doubt about the talent has an enstere need to explore things from their sources: he could have been a great scientist, or discovered the cure for any number of fatal illses; instead he chose architecture.

nesses; instead he chose architecture. This book is not strong on what I would call biographical meat. Foster is tacitum and technical when you first meet him and the fact that he struggled from seemingly remote origins to his present eminence is of great interest. But Miss Williams concentrates mon unravelling the concentrates upon unravelling the com-plexities of the erection of this HK\$5bn (£385m) building. It is more than just the story of the world's most expensive office block: it is an epic story of creation.
It is necessary to read a little

between the lines to understand the way the Foster and his colleagues work. They persist, in every job large or small, to innovate in design terms. They have brilliantly extended the technical boundaries of building construction. Sometimes they have falled, the failures have been aesthetic and technical. The Sainsbury Centre at the University of East Anglia is spatially triumphant inside, but it has also needed much repair and renewal. Foster has undoubtedly been blessed by clients willing to pay for progressive design and that is always heartening. The detailed account of the



Foster's Hongkong and Shanghai head office debate over costs and the supply of steel for the Hongkong Bank is reveal

ing and terrifying.

This book makes one thing very clear indeed. Although Norman Foster had the ideas and the grit to see them the property of the control them through very difficult moments, he would have been utterly lost with-

tough guys in the background of this story and it is crystal clear that with-out Ove Arup's intense work the Hongkong Bank would not exist.

That is what is rewarding about Miss William's book - she is scrupulously objective. She admires Foster, as I do. But this is no hagiography. The bank is not above criticism. I was left wondering why it all has to be so difficult - the struggles are enormous.

You feel at the end of the book that you have helped to build the pyra-mids, not just another bank. And of course that is the point. The Hongkong Bank is one of the great towers of the 20th century. It is a masterpiece, as much of negotiating skills as

of design.

Convincing clients that the archi-Convincing clients that the architect is often right is one of the great problems of today. It all depends on the quality of the architect, but this book shows the real quality of all the supporting players, too. Should clients read this book? It may them put off the idea of building anything, ever, but equally it was inspire the text. but equally it may inspire them to try harder for architecture of the highest quality. The book is elegant in itself, almly written with superb illustrations and drawings.

Another biography I have enjoyed is a more conventional slice of architec-tural history timed to celebrate the tercentenary of the birth of William Adam: William Adam 1689 - 1748: A Life and Times of Scotland's Universal

Publishing of Edinburgh, at £19.95, paperback £12.95). There is also an exhibition at the Edinburgh Festival that portrays the work of this lesser known Adam.

William was the father of James and Robert and the leading architect of early Georgian Scotland. He was also the author of Vitruoius Scoticus, an almost forgotten source of designs for houses in Scotland and Ireland. Mr Gifford is in charge of something called the Buildings of Scotland Research Unit at Heriot-Watt University, which is slowly producing the "Pevsners" for Scotland. He is agreeably nationalist about William Adam and shows clearly that he was much room them just a provincial follower. more than just a provincial follower of English architectural fashion. There is a good account of the agricul-tural background of 18th century Scotland that provided the means for feudal expansion and the building of

some remarkable houses. illiam Adam was respon-sible for some of the finest Scottish houses. Hopetoun, Duff, Arniston and the House of Dun are his major creations, but the recently restored pleasure pavilion of Chatel-herault shows that he could play brilliantly in the minor key too. Soon it will be time for anniversary exhibi-tions about the other Adams, which is why this book about the root of the family is important.

Colin Amery

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ARTS GUIDE

for most concerts cost from £3 to £11, and can be booked on 589 8212, 589 9465 (10an-\$pm) or 379 4444 (24 hours); promenad tickets are available only at the

door on the day of the concert

This week's concerts include
Royal Philharmonic Orchestra,
conducted by Vladimir Ashkenazy playing Brahms, Mussorgsky
and Gilière (Mon); BBC Sym-

phony Orchestra, conducted by Andrew Davis and Witold Lutos-

lawski playing Ravel, Lutos-lawski and Berlioz (Tue); BBC Philharmonic Orchestra con-

ducted by Edward Downes in

by Valery Gergiev, playing Pro-kofiev, Schnittke and Tchaikov-

sky (Thur).

nriced at £1-50 or £2.

MÜSIC your F.T. London The Proms. Works by 114 composers will be heard during this year's Promenade Concert season, which continues until September 16. Most concerts take place at the Royal Albert Hall, though St Paul's Church, Knightsbridge, and Kensington Town Hall are also used. Tickets for most concerts cost from 53 hand

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a concert of Bax, Walton and Strauss (Wed); and the BBC Phil-harmonic Orchestra conducted

Clarinette Pascal Moragues, Gilles Henry (violin), Yves Henry, (piano). Bartok, Khatcha-turian, Berg, Stravinsky (Tue) Auditorium desHalles. Auditorium desHalles.
Orchestre Symphonique des
Jeunes en Ils de France conducted by Bertrand de Billy,
Cyril Marie, (piano). Beethoven,

Schumann(Wed) Auditorium des Halles. Chamber Music. String sextuor from Lille conducted by Fabrice-

rom Line connected by Fabrica-Pierre, Francis Pierre, (harp). A. Tisne, N.G. Dao, Schoenberg (Thur) Auditorium des Halles. Instrumental Ensemble da Capo: Bach, Corelli, Mozart, Vivaldi (Mon, Tue, Wed) Saint-Louis en L'ile Church (45231825). Summer festivals in France La Chaise-Dieu in Auverene. ang 23-30 (71000116). Sint-Jean-de-Luz, Ang 30 - Sept

16 (59260316). Amsterdam Mitsuko Uchida (piano). Schubert, Debussy (Tue) Concertge-

bouw. Reinbert de Leeuw (niano) Satie

(Thur) Concertgebouw.

Haydn Sinfonietta, conducted by Manfred Huss. Mozart, Hummel, Beethoven. Grosser Redou-tensaal. (Mon). Camerata Sinfonia Varsovia.

Dobrzynski, Spohr. (Mon)

Polish Kammerorchester, conducted by Jan Stanienda. Mozart, Rossini. Palais Schonbrunn.

Bad Wörlshofen

Ivo Pogorelich Festival. This first festival initiated by the Yugoslav planist Ivo Pogorelich, aims to support young musi-cians. Among the musicians are violinist Iduard Wulfson and planists Franz Massinger and Frederic Chin. The Southwest Baroque Soloists are conducted

August 4-10

by Helmut Erb. Planist Alexej Sultanov made a very successful German debut in Munich in 1988; the Lithuania Chamber Orchestra founded and conducted by Saulius Sondeckis, are the win-ners of the Herbert von Karajan foundation for the best young orchestra; while violonist Kyoko orchestra; while violonist Kyoko Takezawa won the International Violin Competition in Indianapolis. The Artis Quartet, cellist Antonio Meneses and his wife pianist Cecile Licad will also appear. (Mon, Tue) (08247) 350253,8939). Bad Wörishofen, Postfach 1442.

Bockenheimer Warte: Andre Heller's great chinese circus,

Montepulciano

29th Festival of Organ Music, in Tuscany, 14th Cantiere Internazionale d'Arte - founded by Hans Werner Henze in 1976. Clos nans werner Henze in 1976. Cits ing concert (Sat) at the Tempio di S. Biagio, a mass, "Argentum et Aurum" by the eclectic flemish composer, Heinrich Isaac, who spent much time at the court of the Medicis, elaborated for for the proposer (Nicolasse). for four voices (Nicolas Howard, Andrew Watts, Niall Morris and Michael Harpham), organ and orchestra (the London Parnassus), conducted by Mar-kus Stenz. Until August 14.

Tokyo Tokyo Metropolitan Symphony Orchestra, conducted by Nao-zumi Yamamoto. Bach, Bee-thoven, Beatles. Suntory Hall

moment's notice; but we have to come to terms with the fact that very little of that seems to be parody.
Though Schnittke bears all the marks of a composer deeply beholden to late Shostakovich, the unmistakable anger and bitter irony in Shos-takovich's "citations" always set them apart from his direct utterances.
With Schnittke, by contrast.

the inverted commas disap-pear: the musical styles of many periods and places are equally grist to his mill, natu-ral sub- sets of his post-modernist vocabulary.

Schnittke

ALBERT HALL/RADIO 3

Since the Russian composer

Alfred Schnittke suffered a

stroke four years ago, he seems to have become more prolific

than ever. He still slips as eas-

ily, and as eclectically, from

one idiom to another at a

When a macabre waltz turns up, or a 19th-century funeral march — as they do in his recent Viola Concerto, played by its dedicatee Yuri Bashmet in Thursday's Prom concert caricature is not the point. Earlier Schnittke experiments (he discovered contemporary Western music only in the 1960s) suggested otherwise, merely because we assumed that his violent clashes of surface-style must be ironical.

The watch word of our pos-twar music, after all, had been strict theoretical integrity. But there's no comparable lust among Soviet composers for an overriding theory: no doubt they rate original, cogent expression and the avoidance of banality as highly as anyone, but they would never have bought the Darmstadt notion that credit-worthy new music must be demonstrably consistent in the latest musico-

logical terms. The Concerto that Schnittke has composed is hardly distin-

guishable from the custom-built vehicle for Bashmet, who by general consent has no peer among concert violists. He made opulent sounds from Schnittke's paper-sketches, and found forceful sense in every "consistent" (haunted by a double-stopped minor ninth, usually with the viola's bottom C as base); but until we hear another violist in the piece, there's no knowing how far its dramatic coherence – utterly persuasive here, as BBC1 view-ers can discover this Friday – depends upon an empathetic star soloist.

Not only does it offer him (or eventually her) deep, rumina-tive cadenzas in the pungently acerbic manner of Bartok, and bursts of virtuoso sawing too, but long-breathed eloquence which often carries across radical fractures of idiom - ripe Mahler, spare Webern, salon-Romantic Spohr, Impressionist washes. No wonder Bashmet claims it to be the summit of concertos for his instrument: he boasts par excellence the musical personality to weld its intrepid variety into a compel

ling dramatic elegy.
Indeed, by comparison every other viola concerto I know sounds gingerly about the instrument's expressive range. should anyhow wager that Schnittke's score is rich enough to generate many indi-vidual readings, and that we shan't have to wait long for

Mathias Bamert conducted the BBC Symphony with what seemed faultless sympathy; he also led a good-humoured account of Prokofiev's "Classical" Symphony (short on *élan*), and later a soberly felt reading of Chaikovsky's "Pathétique."

David Murray

FINANCIAL TIMES

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Monday August 7 1989

Mergers and efficiency

competition against claims of enhanced efficiency is one of the central dilemmas of mergers policy. This issue appears to be the principal remaining obstacle to agreement among the member countries of the European Community on new merger control powers for the Commission.
Governments now accept

that some very large mergers affect competition throughout the Community and are more appropriately handled by the appropriately named by national Commission than by national competition authorities. The worry, expressed most forcibly in recent weeks by Sir Gordon Borris, director general of the UK's Office of Fair Trading, is that the Commission will be too easily swayed by industrial policy arguments and that merger policy, like trade policy, might be used for protectionist. tionist, anti-competitive purposes. The anxiety is a valid one and needs to be met either by tightening the rules under which the Commission oper-ates or by institutional changes along lines suggested by Sir Gordon.

Contentious judgments

Any merger inquiry by the Commission would assess the impact of the proposal on consumer welfare, taking into account entry barriers, import competition and efficiency gains. The draft regulation provides for anti-competitive mergers to be banned unless "their contribution to improv-ing production and distribution, to promoting economic and technical progress or to improving the competitive structure within the common market outweighs the damage to competition.

These are contentious judgments on deals which will have a profound impact on the structure of European industry. If an approved merger turns out to have serious anticompetitive effects, it will be very difficult to repair the

Partly for this reason Sir Gordon believes that the Com-mission should confine itself to examining whether or not a merger is likely to reduce competition. The wider effects of the merger should be left to the Council of Ministers. In the

same way the West German competition authorities judge competition issues only and leave public interest considerations to the Federal economics minister. In the controver-stal case of Daimler Benz and MBB, the aerospace concern, for example, the Cartel Office ruled that the merger would be anti-competitive, but is expec-ted to be overruled by the Min-

Lobbying exposure

Sir Gordon argues that the Council of Ministers is more politically accountable than politically accountable than the Commission and hence a more suitable body to be invested with these powers. The danger with this suggestion that it might have the effect of politicising the merger control process, exposing the Council of Ministers to the same lobbying and bargaining between interest groups that between interest groups that has often characterised British merger policy. It is not obvious that the Council is better placed to to take more consistently pro-competitive deci-sions than the Commission.

In the long run the creation of an independent agency, akin to the Monopolies Commission in the UK or the Federal Trade Commission in the US, might be the right way of handling mergers at the Community level. But this would require a treaty amendment. More immediately, the wording of the regulation needs to be tightened, so that the loopholes through which an efficiency defence might be accepted are drawn more narrowly. The role of the advisory committee, con-sisting of officials from member states, should be strength-ened. Finally, the Council of Ministers should have the power to override, by qualified majority vote, merger decisions of the competition direc-

If there is clear agreement among member governments on the purpose of merger con-trol and if the wording of the regulation is amended accordingly, the power to override may be used only rarely. Without such agreement, every large and contentious merger could become the subject of horse-trading between member states.

Nuclear risk and reward

THE FUTURE of Britain's nuclear power industry was by no means settled when the Government announced last month that it was reversing its decision to privatise the nine

ageing Magnox reactors. In the next few weeks, Mr John Wakeham, the new Energy Secretary, must solve some difficult problems which follow from this decision. They centre on the provisions which must be made for the newer but problematical Advanced Gas-cooled Reactors, now being gift-wrapped for sale

The main financial uncertainty for the Magnox plant was the cost of decommissioning - a polite word for putting them on the most expensive scrap heap in industrial history. The big difficulty faced by the Government was not so much the level of costs as the vast range of uncertainty. In the last two years, for example, the official estimate for the first stage of de-commissioning the UK's oldest Magnox at Berkeley has risen by more than a factor of five to £200m. The total cost of returning the site to a "green field" appears likely to be some £500m in cash terms in 1989 values. Even though some of these costs may be deferred for up to a century the cost per unit of capacity of dismantling this station is likely to be as much as that of building a new nuclear plant in the UK and much more than the cost of

Overtaken forecasts

Faced with such a rapid increase in cost estimates, the Government's financial advisers have naturally asked why they should be expected to believe the most recent figures, especially in an industry where actual costs have notoriously outstripped forecasts. Assignnox plant then became a near impossibility, even after taking account of the planned nuclear levy, which will allow reason-able costs to be passed to consumers, and the Government's guarantee to meet some genu-inely unexpected decommissioning costs.

The Government's decision to abandon this part of the sale was therefore the right one, though taken belatedly. The Magnox plant were undoubt-edly the most indigestible part of the flotation. However, big uncertainties also surround the newer AGRs. Decommissioning is likely to be expensive, and the assumption that the plant can be "walled up" for a century before final disposal is increasingly being questioned, not least by the Parliamentary energy committee. The recent iump in the costs of disposing of spent Magnox fuel raises doubts about the cost of fuel reprocessing. Then the verv poor performance of some of the existing AGRs makes esti-mating future income extremely difficult. The Hartlepool AGR produced only 16 per cent of its original rated output capacity last year, for example.

Insulated shareholders

The Government can now find ways to insulate shareholders from most of the risks: the nuclear levy and special Government subsidies will take care of decommissioning costs, while fixed price contracts with British Nuclear Fuels Limited will pass most of the reprocessing risks back to the taxpayer. But if nuclear power can be privatised only when all risk is stripped away, investors must accept a relatively low return on this part of their capital. It would be wrong to allow the larger generating company to make profits by improving the AGR's performance without carrying the offsetting risk. And if the company is given a cost-plus contract for managing the Magnox stations, great vigi-lance will be needed to prevent it from cross subsidising its other nuclear business. If the public is required to plough unknown quantities of cash into the industry it must also harvest any unexpected gains.

The best way of achieving this would have been to keep all the nuclear assets in a publicly owned company for the licty owned company for the time being. Since the Government has opted for a compromise, it will need to ensure that all contracts with National Power give explicit recognition to the extent of public financing. And it must speedily publish the nuclear cost estimates which caused cost estimates which caused the change of heart on Mag-nox Indeed the main, if not the only, benefit of privatising nuclear power may be that the true costs will at last be flushed out into the open.

he struggle against apartheid may be taking place thousands of miles from America's shores, in a country which many Americans could not locate on a map. But apartheld is seen very much as a domestic issue in the US; and the new Administration in Washington seems keen for it to remain so, whatever the implications for US foreign policy in the

region.

That policy is now being redefined by the Bush Administration. But it has already suffered what could prove sattects the cancellahas already suffered what could prove to be a major setback: the cancella-tion of the proposed visit to Washing-ton of Mr F.W. de Klerk, the National Party leader and most likely candi-date to become South African Presi-dent after elections in September. The failure of the visit may have done serious damage to US-South African relations and could encour-

done serious damage to US-South
African relations, and could encourage pro-sanctions campaigners at just
the time when new sanctions hearings are beginning in Congress.

By now, if African experts at the
State Department had had their way,
Mr de Klerk would have met his third
major Western leader in two months,
following a June meeting with British
Prime Minister Mrs Margaret
Thatcher and West German Chancellor Helmut Kohl. President Bush, for
his part, would have fulfilled his com-

his part, would have fulfilled his commitment to test the widest possible range of opinion in South Africa by adding Mr de Klerk to the list of South Africans he had received at the White House.
That list already includes anti-

That list already includes anti-apartheid leaders such as Mrs Alber-tina Sisulu, the wife of jailed African National Congress leader Mr Walter Sisulu, Archbishop Desmond Tutu and the Rev Allan Boesak. It now seems unlikely that it will include Mr de Klerk in the near future: for if Washington found it difficult to pack-age a visit from the National Party age a visit from the National Party leader for domestic consumption, how much more difficult might it find an official visit from the new state presi-

Officially, Pretoria - not Washing ton – cancelled Mr de Klerk's planned visit. The pressures of South Africa's whites only election campaign were said to preclude such a trip. However, it seems certain that Mr de Klerk would have found a way around his campaign commitments if he could have been assured that his visit to Washington would include an audience with President Bush, and not only Secretary of State Mr James

No such assurance was forthcoming from the White House – in spite of the eventual support of both the State Department and National Security Council for the visit - and Mr de Klerk cancelled rather than risk being snubbed when he arrived.

Whatever the real reasons for the cancellation - fear of the domestic repercussions of too close an association with Pretoria, or simply the new Administration's failure to understand the seriousness of the snub - it appears to have given the pro-sanc-tions lobby a much needed boost to its morale.

For the only publicly apparent rea-son for the Administration's second thoughts about Mr de Klerk was a protest letter to President Bush from 100 Congressmen. True, a presidential meeting had been anything but a fore-gone conclusion even before the letter; indeed, inflighting within the State Department over the visit had delayed a decision for so long that issuing an invitation would have been a last minute event in any case. But the Congressional protest

seems to have crucially tipped the balance. In the interests of his much-vaunted bipartisan approach to foreign policy, President Bush appears to have decided that 100 Congressmen were 100 too many to anger over an sue which was not central to US

Prior to the news of the de Klerk cancellation, the drive to impose further sanctions on South Africa appeared to be flagging in Congress.

Patti Waldmeir examines the impact of US sanctions and the case for extending them



A false dawn for South Africa

Media censorship in South Africa and the much reduced incidence of violence in South African townships had ensured that American television viewers were seldom confronted with the effects of apartheid.

Markedly improved prospects for regional peace, including an indepen-dence settlement in Namibia, had ened pressure for punitive action. And the Congressional verdict on the effect of sanctions imposed under the 1986 US Comprehensive Anti-Apartheld Act was far from unanimous, even among committed sanctioneers. Reaching any firm conclusions on the economic effect of sanctions, let alone their political impact, is extraordinarily difficult. Indeed it is possible, in Washington, to find sensible people who argue that every significant erosion of apartheid over the past three years has been the effect of sanctions — and equally easy to find sensible people who argue quite the opposite.

Mr Randall Robinson, the head of
the influential anti-apartheld lobby Transafrica, does not doubt that sanctions have furthered the cause of change in South Africa. "South Africa is in a tough way and it is in a tough way in large part because of sanc-tions," he argues, if the effect has been limited, that is because the sanc-

Sanctions have put a ceiling on economic growth, hurt business confidence and deprived South Africa of critical foreign capital; and the pro-sanctions lobby would argue that all of these factors have positively influenced the behaviour of the Pretoria Government.

Opponents of sanctions, including

members of the current Administra-tion, are doubtful. "Obviously sanction, are doubtful. "Obviously sanctions have had an impact; but did they move the South African body politic towards its goal? I'm not so sure," says one US official. "South Africa has any number of reasons to wish to escape from its current impasse; sanctions are only one of them."

The impact of disinvestment by US The impact of disinvestment by US companies is, if anything, even more difficult to assess. In the case of disinvestment, local public pressure in the US has played a much larger role than legislation – though Mobil Corp, which pulled out last April, cited Congressional action on dual taxation with South Africa as the research in the contract of th with South Africa as the reason for its decision. But despite the large num-ber of US companies leaving South Africa – some 140 since 1986 – the main impact, ironically, seems to have been to enrich white South Afri-can businessmen who have picked up foreign assets at fire sale prices.

Whatever their reservations, the bottom line for many in Congress is that sanctions and disinvestment are better than nothing - even if all they do is demonstrate US disapproval of South Africa's policies, and increase Pretoria's sense of isolation.

The Congressional aide to one Senate Democrat puts the dilemma this way: "Even liberal Democrats feel a bit uncomfortable about sanctions; but there is so little else we can do." None of this adds up, however, to any real likelihood that Congress will impose the much harsher sanctions included in the so-called Dellums hill now before the legislature. The bill calls for comprehensive and multilateral sanctions against South Africa, and would prohibit all US investment in and military or intelligence co-operation with South Africa.

It would also include the energy sector in trade sanctions, and increase

monitoring of trade and investment as well as including other punitive

Virtually assured of passage in the House of Representatives, it is much less likely to command the 60 or so votes needed to overcome a Republi-can filibuster in the Senate, stifi less the two-thirds needed to override a Presidential veto. Indeed, the anti-apartheid lobby

itself has done little to further the bill's chances of success; during a visit to Washington in May, Archbishop Desmond Tutu and the Rev Allan Boesak, South African pro-sanctions campaigners of long standing, were at best ambivalent on the issue of comprehensive sanctions.

They are understood to have told

Mr Deliums that they did not support his bill, and called instead for a more targeted approach to the issue, with the emphasis on financial sanctions.

But more important than any of the internal sanctions lobby in South Africa, it was a marked alteration in the rhetoric of the Administration itself which seems to have defused the sanctions issue.

In recent months, the new Administration has gone to great lengths to persuade Congress both that it cares about apartheid — something which the previous incumbents never managed to do - and perhaps more cru-cially, that it cares what Congress

cially, that it cares what Congress thinks about apartheid.

Clearly, the Administration wishes to avoid a sterile political debate about sanctions with Capitol Hill—the sort of breakdown in relations which led Congress to impose the Comprehensive Anti-apartheid Act in 1986, in spite of a presidential veto.

Through a programme of earnest consultations with Congressional leaders, as well as selected invitations to black South Africans to visit the White House—what one opponent of

White House - what one opponent of sanctions refers to as "lighting candles for the victims of apartheid." - President Bush seems to have got the Congress on-side, at least for the

moment.

The extraordinary recent admission from the Assistant Secretary of State for Africa, Mr Hank Cohen, that sanctions had had an impact in South Africa (though he opposed the imposition of further measures), appears to be part of the same process of keeping Congress sweet. The cancellation of the de Klerk visit will be seen as a further concession to pro-sanctioneers.

The new, less acrimonious relationship created with Congress, coupled with Congress, coupled with Congressional willingness to give Mr de Klerk at least some chance to fulfill the high expectations he has built up for himself in the West, may lead to a pause in the sanctions drive which could conseivable lest until which could conceivably last until campaigning begins next spring for US mid-term elections.

US mid-term elections.

The most radical action likely before then — and even this is far from certain — would focus on a non-binding Congressional resolution proposed by Democratic Senator Paul Simon, apparently with the approval of the State Department. It calls for the state term to the tops. of the State Department. It calls for stricter implementation of the 1986 sanctions. And, more importantly, it calls on the US to seek mandatory United Nations sanctions for a period of 12 months — the sort of drastic measure which would no doubt send an important signal to Pretoria, but could wall prove very difficult to

But perhaps the most potentially damaging action now under consider ation - short of the sweeping mea-sures included in the Dellums bill would involve the imposition of fur-ther financial sanctions on South

The drastic reduction in new bank lending to South Africa, which fol-lowed the 1985 decision by Chase Manhattan Bank to pull out of the country, has severely restrained eco-nomic growth over the period. Pro-sanctioneers are now focusing their sanctioneers are now focusing their efforts on disrupting the renegotiation of billions of dollars of South African debt due to begin next year — an approach favoured by Archbishop Tutu and Mr Boesak, who have written to foreign banks to urge them not to reschedule and have asked Congress to page legislation forbidding. gress to pass legislation forbidding

Congressional hearings began last week to explore the implications of rescheduling. But thinking on the issue is as yet at an early stage, and some banks have been pre-empting sanctioneers by converting short-term debts to medium term loans before the 1990 rescheduling round. Dr Chris Stals, South Africa's chief

debt negotiator, said last month that short-term debts would be reduced to \$8bn by mid-1990 as a result.

Events on the ground in South Africa could, of course, change the dynamic in the Congress at any moment. But for now, Republican Senator Nancy Kasse voted for the 1986 sanctions and whose support for further measures could prove crucial in the Senate -puts it this way: "We might look at more targeted initiatives, if indeed more steps need to be taken. But there is a window of opportunity open in South Africa now. Our focus has to be on what we can do to help them

August,

■ (Two middle-aged people talking on a bench in one of the better London parks - St James's or Holland. They might be civil servants. It doesn't really matter which one says what; or the sex.)

"Funny summer, this year.

In England, I mean. Well, London.

"Funny peculiar, or funny ha-ha?" "Don't know, really. Both, either. Neither. Funny as if you feel something's going to happen and you don't know what it is.

"Go on." "The weather, the water, the strikes, the cricket, the inflation. All those beastly things that we thought had gone away, and now they're coming back. And all those things that we used to think we were good at, and now we've found out we're not."

"Funny how we used to be taught that we should never drink the water in France or Italy. Now we know that's what they all thought about

And they were right. You know, when people started talking about listeria. I thought they had a lisp and really meant some kind of plant."

"Odd about Europe altogether. I thought it was all over. After all those years, we'd joined, become members of the Club, were beginning to feel at home. Now we start quarrelling all over again. Strange country, Britain." "Or strange place, Europe. Did you know that 'Look Back in Anger' is being revived in London tonight?"

"Yes. Do you think that's "It certainly seemed a great symbol at the time. Angry young men, break with the past, end of empire, Suez, Hun-gary, 1956. All of that." "A lot of that's sub-con-

Observer

scious. It was performed before Suez happened. He wrote it in 12 days in 1955, and no one wanted to put it on. The Financial Times was almost the only daily paper that liked it. The Sunday Times said it was 'entirely unmemorable'."

"But then there was Kenneth Tynan in The Observer in the days when there were posh Sunday newspapers, and only two of them. He wrote that nothing on the English stage could ever be quite the same again. He seemed to mean English society as well."

"True, it was drawing-room comedy transferred to the kitchen sink. That was why it was so modern. But there was one line in it that seemed to sum it all up. It was Alison talking to ber father. He'd spent 40 years in India and couldn't understand why she had married her husband. Jimmy – the man who went to a white-tile university, not even red-brick.

"'You're hurt because everything is changed,' she said. Jimmy is hurt because every thing is the same. And neither of you can face it. Something's gone wrong somewhere, basn't

"And that's what you think about now?"
"Not entirely. It just hasn't gone quite right. I mean. nobody seems to agree on any-thing any more. We don't even know if we're better educated." "Cheer up. The stock mar-

ket's very high."
"Yes, but that makes me ervous " Another crash?"

"No, not like the last one. People learn, I suppose. But there's all this money chasing - I was going to say - too few goods. Takeovers, LBOs, unbundling. All those new terms. At first I assumed that LBO stood for some new orchestra.

"London and Birmingham?"



City, getting out of their depth and losing their jobs. Some of them deserved it, but all

"You're beginning to convince me. Take the cricket. You can't criticise all those players going to South Africa for the money without attack-ing Lord King for his salary as well. And that's what's starting to happen. Nobody knows what a just reward is. It seems to be we've been here before. It used to be called the politics of envy."
"Ah, yes. South Africa. We

never really got out of that either. We used to think: 'Into Europe, out of Africa.' It didn't work like that. We still have the residual responsibilities."

"And Honk Kong."
"Hong Kong indeed. Why
is that we have all these legacies? Why can't we be more "Oh, come on. We're talking

ourselves into a depression. Do you really think that noth-

ing has changed for the bet-"Only when I listen to the news."
"Inflation figures on Friday."

"We'll just have to keep a stiff upper blip about that."
"Let's go to the theatre."

Other Behan

■ Dominic Behan, brother of Brendan, died last week. While he tended to be overshadowed by the talents of his elder brother. Dominic was an accomplished playwright and songwriter in his own right. Many think he was more quick witted than Brendan. A story is told of Dominic's arrival in Spain in the bad old pre-democ racy days.

The reporters at the airport upset him, while he was a little the worse for drink, by mistak-ing him for his brother. "Why have you come to Spain, Mr Behan?" they asked. "For Franco's funeral," came the

answer. Dominic was put on the first plane out.

Plessey sails

■ Plessey seems determined that, if it is going to go down, it will go down gracefully. Just as the Department of Trade and Industry was clearing the way to allow GEC and Sieme to renew their takeover bid, invitations went out for a Ples sey press cruise on the Solent. The sailing barge, Kitty, is scheduled to carry Plessey's colours into the sunset on the eve of next month's Royal Navy Equipment Exhibition. Should events in the interim change those plans, GEC could always use it for torpedo prac-

Feedback

■ From a New York College magazine: "Many people think Alice in Wonderland is Lewis Carroll's best work, but I pre-fer his wonderful light verse in The Hunting of the Snack." Not to be confused with his more substantial Through the Cooking Class.

J.F. PACIFIC WARRANT COMPANY S.A.

Société Anonyme 2, boulevard Royal

L - 2953 LUXEMBOURG

The holders of Preference Shares are hereby convened to attend a separate holders of Preference Shares to be held at the registered office of the bondeward Royal, Lansambourg on 16th August, 1989 at 11.45 a.m. or at the Extraordinary General Monting convened for the same day and constituted or been adjourned, for the purpose of considering and, at though following resolutions which will each be proposed as special registrones.

(a) United States Dollars sine million (USS 9,000,000) of the realisted profit of the company for the year ended 30th Jame, 1988 be capitallised and credited to subscribed capital against the issue of 4,500,500 new Ordinary States of a per vetue of United States Dollars two (USS 2) each on the second business day in London and Luxcashourg following the Record Date (as defined below), such new Ordinary Shares to be distributed to the holders of ordinary shares in registered form on the suggester of transfers of the Company at cless of business on 24th Angust, 1989 (or in the event any of the necessary Meetings are adjourned on the 16th business day in London and Luxembourg following the passing of the occusiony mendations at such Meetingsto) (the "Record Date") and to holders of Ordinary Shares in baser form against production of coupon(s) in each case in the ratio of shae new Ordinary Shares for each Ordinary Share in registered form so hold and/or (as the case any be) each Ordinary Share in registered form so hold and/or (as the case any be) each Ordinary Share in respect of which coupon(s) in the case any be) each Ordinary Share in sections.

"The Company has an issued capital of United States Dollars claves million (USS 11,000,000) consisting of five million (\$000,000) Ordinary Shares of a per value of United States Dollars (USS 2) each and five hundred thousand (\$00,000) Nos.-Voting Proference Shares of a per value of United States Dollars two (USS 2) each. The \$,000,000 Ordinary Shares and the \$00,000 Nos.-Voting Proference Shares for any united States Dollars to (USS 2) each. The \$,000,000 Ordinary Shares and the \$00,000 Nos.-Voting Proference Shares have all been fully paid up by payment in outh of United States Dollars aleven million (USS 11,000,000) together with total issue patentium transferred to paid up surplus of United States Dollars forty—eight million (USS 48,000,000) in respect of the Nos.-Voting Professors Shares"

THAT Article 7 of the Articles of incorporation of the Company be and it is hereby amended by the deletion of the following wording appearing in the first paragraph of the said Article after the words "as prescribed in Article 26 interes"; , provided that (as long as Non-Voting Preference Shares venera in issue) the ember of Ordinary Shares shall be equal to the number of Non-Voting Preference

The quotum for the Meeting is singularities passent in passon or by pracy of one laif of the Preference Susces in the capital of the Company for the time being in asset. In order to be carried a special resolution should be passed by a sujective of ant less than two thirds of the Preference Salars represented at the Meeting.

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Copies of the Circular issued by the Connect to holders of Preference Shares and Ordinary Shares in connection with the shows matters are available for inspection and copies may be obtained by standardolders at the office of the Registers during normal business hours on any weekday (Satardays and public holidays encapied).

Dated 20th July, 1989

Martin Wolf argues that European economic and monetary union may exacerbate regional imbalances

The tricky aerodynamics of Emu

Historical experience suggests that in the absence of countervailing policies, the overall impact fof economic and monetary union on peripheral regions could be nega-

Delors Committee Report on Economic and Monetary Union

he most obvious difference between the member countries of the European Community and most other industrial countries is in their labour markets. They have higher rates of unemployment than most other industrial countries; their unemployment rates have tended to rise, cycle by cycle for some 20 years; and many of them show large and persistent regional differences in rates of unemployment. In view of this, one would presume that any ambitious proposal to develop the EC would try to avoid making an already bad labour market situation still worse.

It would be wrong to presume so. The programme to complete the internal marset of the EC need not, it is true, have any deleterious effects in this regard and could well prove beneficial, as is suggested by the Cecchini Report on the benefits of the internal market programme. Economic and monetary union is another matter. Emn will be beneficial only if it is combined with a vigorous attempt to improve the functioning of the labour market throughout the EC. A careful scrutiny of the dance of Fundamental Social the draft Charter of Fundamental Social Rights suggests, however, that precisely the opposite is what will happen.

It is not that the Delors Report is maware of the problem. It recognises that unaware of the problem. It recognises that the economic disequilibria which now appear in the balances of payments of member countries could then show up in regional decline. "Measures designed to strengthen the mobility of factors of pro-duction and the flexibility of prices," it says, "would help to deal with such imbal-

Quite so, but such measures fall largely in the category of wish dreams. The main policy recommendations relate, instead, to fiscal transfers and EC-directed investment in physical and social infrastructure. While these should be a part of any solution, they cannot possibly be all of it. If they were, southern Italy would be thriv-

ing today.

But what precisely will it mean for the present member states to become regions within an integrated west European econ-

To understand the potential difficulties, the starting point must be existing member states. The disturbing fact is that the far smaller and more homogeneous Euro-pean states have worse regional problems than does the US.

According to the latest OECD Employment Outlook, in the states of the US whose rates of unemployment fell into the highest quartile the average rate of unem-ployment was 8.4 per cent in 1987; in the lowest quartile it was 4.1 per cent; and the national average was 6.1 per cent. In the

same year the corresponding figures for regions of West Germany were 8.5 per cent, 3.8 per cent and 6.2 per cent; for France 12.9 per cent, 8.6 per cent and 10.5 per cent; for the UK 13.6 per cent, 7.6 per cent and 10.2 per cent; for Italy 19.4 per cent, 6.6 per cent and 11.2 per cent; and for Spain the almost incredible figures of 27.7

per cent, 14.7 per cent and 20.1 per cent. Such differences in regional rates of unemployment mean that in any economic expansion some regions will be overheating while others are still in recession. Thus large regional differences in unemployment put a floor to the national rate of unemployment, a perennial problem whose effects can be seen in the UK today.

How is it possible for small European countries to have regional problems that are worse and in some cases far worse than those of a continental economy like the US? There are two reasons: first.

the US? There are two reasons: first, wages are set to a far greater extent than in the US on a national level and, second, labour (particularly unskilled labour) is relatively immobile, largely because of mistakes in housing policy.

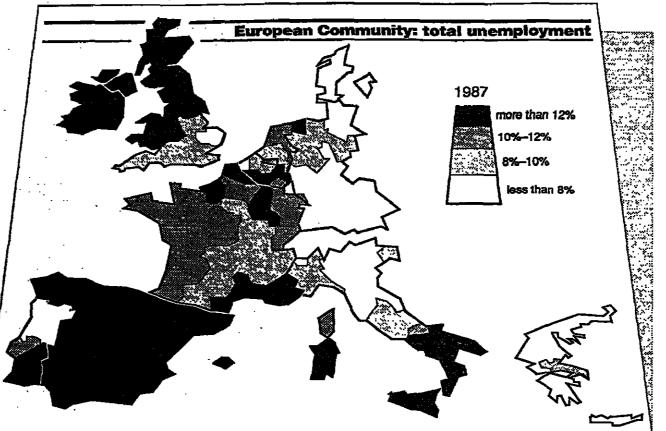
That the European problem is particularly deep seated is ravealed by the close correlation between the regions with high unemployment today and those with high unemployment 15 or more years ago. The OECD report shows, for example, that in the case of the US there is no such correlation.

This is much less true of the Europ countries. In the cases of the UK and Italy, in particular, the correlation between the regions with high unemployment today and those with high unemployment in the 1970s is almost perfect. While less true of France and West Germany, the correlation in both cases is still far higher than for the

Such deep-seated regional problems reflect the failure to adjust to the regionally-differentiated effects of economic change. To take the example of the UK, Scotland and Northern England have been relatively depressed regions for almost a century, as the 19th-century staple export industries — textiles, ship-building and coal — have gone into decline. The shift in the UK's overall comparative advantage has had powerful regional effects because of the regionally uneven distribution of the industries in question.

The adjustment mechanisms for a

region are not different from those of a country, with two exceptions: nominal exchange rates are fixed, while labour should find it easier to move within a country than across national borders. But the initial effect of a trade deficit is essentially the same: the decline in export income will have a multiplier effect on the regional economy. Failing a fully offset-ting capital inflow, there must then be some combination of declining regional expenditure and changes in both industrial structure (towards production of regional exports and import substitutes) and in the pattern of expenditure (away from imports and exportables).



should fall (assuming, quite reasonably, that labour is the most important relatively immobile factor of production). Emi-gration of labour and immigration of capital should follow. The latter will support

regional expenditure in the short term and expand production of goods that can be sold outside the region in the long term.

The more integrated is the region into the wider economy (particularly by the transport infrastructure), the easier it will be the first production of the statement of th be to find substitute production and the smaller the adjustment that will be required of the labour market. Furthermore, the easier people find it to migrate, the smaller the required change in the cost of labour.

If, however, a region is not well-integrated into the wider economy, and labour finds it difficult to migrate as well, the real cost of labour must move considerably if equilibrium is to be restored. In the absence of such adjustment, one gets the entrenched regional problems of northern England or southern Italy.

It should be stressed that the ability to adjust the nominal exchange rate is of benefit only to the extent that it makes changes in real prices (particularly the cost of labour) easier to achieve. From what has happened to the US since 1985, it changes can have large effects on such real prices, effects that could hardly be achieved in any other way. Conditions in the US are somewhat spe-

cial, but they are not that special. If, for example, the average rate of inflation in an economy were close to zero and a substantial cut in the real cost of labour were required in a particular region, nominal wage cuts would be needed. Such cuts are virtually unheard of in European economies. A depreciation would be more expeditious (but more inflationary, too).

So the loss of exchange rate flexibility must have a deleterious effect on the capacity to adjust to regionally differenti-ated shocks. In this respect Emu will make the adjustment problem somewhat worse. That is not the end of the story, how ever, since economic integration in the EC will itself create pressures for adjustment. The internal market programme will drive prices of goods and factors of production closer together. For example, there will be a tendency for the prices of labour to converge, as production of labour-intensive goods shifts more rapidly to peripheral regions and an EC-wide market for highly

skilled labour emerges.

This tendency will itself be socially disruptive. More important perhaps, its benefits - which should be substantial for the poorer parts of the EC - will be the result of the long process of economic change now under way. The danger is the benefits

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will be anticipated and so forestalled.

While in no way a necessary consequence of Emu, nothing is more probable than the emergence of EC-wide bargaining and EC-wide wage rates once there is just one currency. This has certainly been the experience of the existing member states. But any such move towards EC-wide bargaining and wage formation could prove catastrophic for the less productive

Productivity per head in manufactures is reasonably close among countries like West Germany, France, the Netherlands and Belgium. But that in Italy is 80 per cent of the German level, that in the UK 70 per cent, that in Spain a little lower still and that in Portugal below 30 per cent of the German level.

An attempt to equalise wages in the common currency before the process of economic convergence had worked its way through (which may take a generation) would repeat on an EC-wide scale the regional problems of the member states today. Within the member states, it seems to be the premature attempt to equalise wages that is the main source of the difficulty, a conclusion that can be drawn from

the fact that it is almost always the poorer regions that suffer from high unemployment, a connection that is as familiar as it

is economically unnecessary.

The potential for such regional problems is also revealed by a comparison of the EC with the US. Leaving aside Alaska, income per head in the poorest state (Mississippi) was 61 per cent of that of the richest (New Jersey) in 1983. On a comparable basis income per head in Portugal (the poorest EC member) was only 20 per cent of that of Denmark (the richest) in 1987, that of Greece was 27 per cent and that of Spain was 39 per cent. Even that of the UK was only 63 per cent of that of Denmark. The EC has regional inequalities in output per head far greater than within the US. What then has to be done to ensure that

Emu does not create regional problems that could undermine the legitimacy of the whole effort at European integration? The first requirement is greater eco-nomic integration, which is being pro-

moted by the internal market programme. Such integration would be greatly facili-tated by substantial investment in infrastructure, especially transport, as is suggested in the Delors Report.

The second requirement is increased mobility of labour. This means, for example, that one element of any social charter should be the housing market, a subject entirely ignored by the present draft. It also means both the promotion of training and mutual recognition of qualifications, as is rightly recognised in the draft Social

The third - and certainly most controversial - requirement is that there must be no pressure for EC-wide common wages or working conditions, least of all under the emotive rubric of "social dumping." On the contrary, existing national bargaining needs to be reduced in scope.

The ideas of the draft Social Charter on the establishment of a maximum working week, the regulation of part time employ-ment and the establishment of a "fair wage" appropriate to each member state are all worrying. Equally disturbing is the idea of upward "approximation" of living and working conditions that is to be brought about not by economic development but by fiat.

Emu is a noble ideal. But if it is not to be as flightless as its Australasian name-sake, the principles of economic aerodynamics must be remembered. Foolishly implemented, Emu might exacerbate the existing regional problems of the EC and even add new ones, as the existing member states become regions of the wider EC economy.

The powers that be in the EC appear to believe that economic integration can sold to workers only by tempering the wind of competition to the shorn lamb. In anything but the short run, this is the reverse of the truth, however politically unpalatable this may be. What will be needed along with much more investment in training and infrastructure in the poorer regions - is not less, but far more competition in the EC labour markets.

<u>LETTERS</u>

As regional demand declines, real wages

Equal behind the law

From Mr J.A. Rousson. Sir, Your legal correspondent doubts (July 31) that we shall see many solicitor advocates in the High Court before the turn of the century. He sees it as inevitable that the Law Society will have to draft training rules which would have this result.

But this would be contrary to the Government's belief, expressed in the white paper, that the public should have the

widest possible choice among properly qualified advocates.

Perhaps your correspondent sees the new body of four senior judges, in addition to the Lord Chancellor whose concurrence with the rules will be required, as able to enforce such a delay despite being required to take account of competition implications.

The legal reforms should cre-

ate the possibility of two law-yers rather than three in some High Court cases: the solicitor combining his own role with that now performed by one of the two counsel frequently

From Mr W.M. Lomer.

required. In smaller cases, there should be the possibility of one lawyer rather than two. This will not be a threat to a strong, separate Bar, continu-ance of which has universal support, including that of my own firm. What could diminish the Bar (as implied by your correspondent) are higher hur-dles for solicitors than for barristers, encouraging the former

in setting more demanding qualifications for solicitors than those for barristers. Nor should there be irrelevant requirements, such as an obli-gation to work as a sole practitioner, to forego direct access to the public, or to observe what in practice is largely an illusory "cab-rank" rule — all as put forward by the Bar. John Rowson, Herbert Smith,

As he points out, the finan-cial services industry is bear-ing an ever increasing burden on to taxable entities. to recruit barristers (for re-la-belling as solicitors) rather than themselves qualifying for

advocacy rights.

There can be no justification

VAT on financial services

Sir, Eighteen months ago you published my letter pleading to be taxed. Following Richard Waters's article, "EC deals tax blow to stockbrokers" (August 2), perhaps the ranks may be swelled?

of VAT through bought in sup-plies which it is unable to pass During the past year, in con-junction with our colleagues in the European Banking Federa-

tion, we have made considerable progress in winning the intellectual argument that European Community member states should offer financial service companies a "manda-tory option" (mandatory in the sense that all member states must provide financial service companies with the option either to remain exempt or to

be liable to VAT).

The advantages of such a scheme are substantial, to both suppliers and consumers. The supplier could deduct his input

tax, thereby saving costs. The customer company would have an identified VAT-charge on its invoices rather than the present "hidden tax" in the price paid. That customer, in turn, could recover VAT costs on financial services purchased instead of suffering the "hid-den tax" in his cost base.

den tax" in his cost base.

Thus transparency would be achieved; the anomaly by which competing but differently classified services charge or do not charge VAT would be removed; and the present disparity between Germany, which allows the option at present, and the rest of the EC, which does not, would go.

We are aware of only one

We are aware of only one disadvantage: that is, that national exchequers believe that they would suffer a short-term shortfall in expecshort-term shortall in expected VAT revenues. In the long term they would gain – and, surely, the UK Chancellor is not short of tax revenues. Julian Oliver,

American Express Europe,

1 Place Louise,

without comment the director of the Design Council's defen-sive rebuttal (Letters, July 24) of her assertion that it has gone from crisis to crisis. Recent times have seen the departure of Lord Snowdon and the wholesale loss of the council's senior staff. The council has promised to match

Young Designers' Centre: the proposed replacement for the Design Centre Shop. The council has abandoned

its export and promotional function on behalf of British industry in favour of the overcrowded area of design educa-tion. Public perception of the role and accountability of the council is understandably confused, and its activity looks to be not so much in crisis as to have met its nemesis.

Kathy White, Strega Art, Clarence Cottage Hampton Court Road,

Coming down to earth effort, we can say that the goal is attainable. Perhaps mankind will say it Alice Rawsthorn to accept

Sir, Peter Marsh, writing about Apollo (July 15), con-trasted "giant steps for man-kind" and "scientific ego-trips." In his list of Governis attainable. Perhaps mankind will say it is not worth the expense: let the third world do without energy; or let us submerge in our CO2 blanket. Perhaps it is not going to be quite as cheap as fossil fuel in 2500. Perhaps ment co-ordinated programmes in technology, one and one only has a direct, simple technological goal which would be this, perhaps that ... But a giant step for mankind.

This is the development of fusion is a closely targeted world effort on something of permanent value to mankind. nuclear fusion as a source of energy, based on an inexhaust-Its value is not in spin-off, but ible fuel, giving rise to lower in its central objective. That makes it different. pollution than any presently available source. Ego-trips in this field were spent 30 years

W.M. Lomer, Director, Culham Laboratory,

Designed for confusion

the Department of Trade and Industry's grant of £6.2m with funds from industry sponsor-ship. Delay in finding these funds has resulted in contin-

'The UK would be better off without local government'

From Mr Stephen Garvin.
Sir, Are the pages of the Financial Times the right place for political cant of the variety

ago. Now, after sustained

Between Mr Prowse's ques-tion-begging opening and his conclusion, in the place where one expects to find argument, of find argument of standard renta-phrase. "Nurses with small incomes and filed charge" for a IV licence, a health service prescription, a rail or bus journey, supply of gas, electricity or water, and so on, why is it "morally indefensible" to pay thus for the removal of dust-bins, use of the public services?

London County Council Educa-tion Committee, the predeces-sor of the Inner London Education Authority. My experience was that on everything of any importance the Secretary of State bore the responsibility and had the last word.

ued postponement of the

Similar conditions prevailed in the other council departments. I therefore formed the opinion that the country would be better off without local government, leaving it to the departments of state responsible for the duties devolved

upon local authorities to carry out these duties on their own

It was a pity that the entire incubus was not removed when the Greater London Council (GLC) and the larger units were abolished. Had that been done, the problem of local authority finance would by now be revealed as the phoney question it is. Stephen Garvin,

Little Bricklehurst

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FINANCIAL TIMES

Monday August 7 1989



Deborah Hargreaves in Chicago

Uncertain future in windy city

THE LAST two years have not been easy for Chicago's futures exchanges as crisis and controversy have beset their markets. But last week, by far the most serious blow fell when the Government indicted 46 traders at

eriment indicted 46 traders at the two exchanges.

The Government charges grew out of a two-year undercover futures fraud probe by the FBI and could just be the first round of charges to arise from the continuing

customers were regularly cheated as brokers and traders conducted widespread schemes to steal and skim profits, the indictments allege. And Chicago has been forced once again on the defensive as crit-ics call for stricter policing of

its trading floors.

The windy city's futures exchanges have waged long-running public relations campaigns in a bid to convince the nation's lawmakers that their esoteric markets must remain unmolested if they are to fulfil their crucial role in interna-

tional risk management.
But, in the wake of the FBI's operation, the exchanges realise they will be lucky to escape the imposition of any tighter controls. The House of Repre-sentatives has already passed a bill that would ban the controversial practice of dual trad-ing-the ability of brokers to trade both for customers and their own profit in most

In announcing the Government's charges on Wednesday, Mr Richard Thornburgh, US attorney general, stressed that Chicago's exchanges themcated in the allegations. Nevertheless, exchange officials moved swiftly last week to grasp the initiative in the debate. They underlined moves they are already making to toughen up on trading abuse. Mr "Cash" Mahlmann, chair-

man of the Chicago Board of Trade, was visibly shaken when he appeared at a press briefing to point out the CBT's efforts to tighten its own regulation. He said the charges were cause for "grave concern" since they "reflect on us all."

The sort of trading abuses uncovered by the FBI's twoyear investigation were not detectable by normal exchange surveillance procedures, according to the industry regulator, the Commodity Futures

Trading Commission.
But Mr Mahlmann believes CBT's regulatory procedures would allow the exchange to pick up almost any fraudulent

Since news of the FBI probe was first leaked in January, the CBT has spent \$1m to upgrade its complex computer system for reconstructing

The CBT now monitors each one of the thousands of transactions made daily at the exchange - previously it reviewed 10 per cent of its volume. Its surveillance department has grown into the sec-ond largest in the exchange's bureaucracy after 25 extra staff were hired.

In addition, traders will be required to stamp the time of any transactions they make onto their trading cards within 15 minutes. The trading cards

- the exchange's only record
of trades made - will be collected every hour instead of at the end of each day.

This will reduce the opportu nity for brokers to boost their profits by changing the times of trades recorded on their cards – a practice the Govern-

ment alleges was prevalent on both futures trading floors. Both of Chicago's exchanges have raised the fines they will levy for any traders found by an internal investigation to be violating exchange rules.

Now that the government charges have been released the exchanges will pursue their own inquiries into the trading practices of those indicted.

The indicted traders are currently still operating in the exchange futures pits, but they are being asked to refrain from filling customer orders and to trade only for themselves. It is dual trading that has come under fire in the current

indictments handed down last week did not specifically point to abuse associated with dual trading, many critics have called for a ban on it and the conflicts of interest it creates.

The Chicago Mercantile Exchange has said it will ban dual trading unless its audit trail can reach 90 per cent accuracy in reconstructing

Both exchanges are rushing to preserve the integrity that has made their markets world leaders. Mr Tom Donovan, president of the CBT sums it up when he says that without integrity, the exchange cannot exist.

Kaifu favourite to win Tokyo vote

By lan Rodger in Tokyo

MR TOSHIKI KAIFU, a former education minister, seems almost certain to win tomor-row's leadership election in the rows scattering electron in the ruling Liberal Democratic Party (LDP) and become Japan's third prime minister this year.

Two other candidates, Mr Yoshiro Hayashi, a former health and welfare minister, and Mr Shintaro Ishihara, a former transport minister, joined the race on Saturday but are expected to win only

token support.

Three of the four large LDP factions have backed Mr Kaifu, 58, virtually assuring his election, although political analysts cautioned that the ballot would be a secret and and would be a secret one and many party members were in a rebellious mood. And an element of uncer-

tainty lies in the decision by LDP leaders to let 47 regional representatives join the voting by the party's 404 members of the Diet (parliament). Regional spokesmen have been critical of backroom manoeuvring that led to Mr Kaifu's emergence as favoured candidate.

Whoever wins, a new and potentially exciting era in Jap-

opposition group, the Demo-

cratic Forum, scored two victories over the Communist Party

in run-off by-elections at the

The Forum's gains in the

towns of Szeged and Kecske-met were a fresh blow to the ruling party - which faces its first multi-party national elec-

tions by June next - and a

boost to the morale of an oppo-sition movement which has

struggled to counter voter apa-

thy.
In a third run-off ballot on

In a third run-on ballot on Saturday, participation remained too low to yield a clear result. The three ballots were made necessary by poor turnout in the July 22 first round of voting, which produced only one result - a ground broading victory for an

ground-breaking victory for an anti-Communist Lutheran cler-

The fact that the opposition parties have up to now found it relatively difficult to capitalize

on the Communist Party's

unpopularity reflects their nar-row base - they are seen as dominated by intellectuals,

There is widespread popular mistrust of both establishment

and opposition, based on fear among workers that economic

reforms will lead to mass

Directors of state factories

have been bombarded with

queries from suspicious workers asking whether it was true

tomers by baskets: you don't get in without one, and there

are only, say, 200: so within a

few minutes of opening, a bas-ket queue has formed. The Fri-

day lunchtime Mokotow

Supersam basket queue was a half-hour affair, at least. A few

young queuers were reading books: War and Peace would have been good. Most were

scowling at everything and

everybody. Once in, you are better

served than your equivalent in Moscow but in another much

harsher world from that of the

consumer of the West - even

the poor cousumer of the West. Unlike the Soviet Union,

there are commodities made

by a growing band of private,

small joint venture companies
- such as Polservol, Atomica

Fructara – ali stamped swith

a "PZ," for foreign company. These are better: better

packed, and more expensive. For example, a jar of private

mayonnaise was Zs396, while the state produce, dribbling

out from beneath an ill-fitting tin lid, was Zs235. Milk, still

price-controlled, is Zs19 for a half litre (or a quarter of a US cent), but it has to be hoiled to be drinkable. Milk produced



Kaifu: favoured candidate

Hungarian opposition scores

poll wins over CP candidates

back to their former private

led to a recent division of the

Social Democratic Party into

two parties may have further soured the population's mood.

Until the by-elections, made necessary by the resignation of

Party deputies who had lost the confidence of the elector-ate, the opposition parties had

Talks on the country's future

between Communists and their opponents began in May and

were going unexpectedly smoothly.

Opposition participants in the talks said the Party delegation, now headed by Mr Rezsö Nyers, the head of the Commu-

nist Party's collective presi-

dency, agreed to hold fully democratic elections without

reserving power for itself as in the Polish elections.

The future status of the Hun-

garian President, a post Mr Imre Pozsgay - the leading

party reformer - would like, is

also under discussion with the

opposition groups along with a

the criminal code.
In the light of this progress

on political questions, the

opposition has reversed its pre-vious refusal to discuss eco-

Much as in Poland, the Hun-

nomic issues with the Party.

garian Party wants the opposi-

tion to bear responsibility for

by an agricultural co-op and called "Straight from the Cow," costs Zs145 or a massive

2 cents. This comparison of prices

with their dollar equivalents is not meaningless. The dollar is

the second currency in Poland, fetching around Zs6,000 at the

legal market price.

Many Poles have access to

Many Poles have access to dollars. Shopping for them is, as it were, done through bifocals: they can see that the price rises of the past week have been alarming to Poles on low incomes, especially the 7m pensioners with a monthly income of Zs30,000 to Zs40,000. One old lady said on television

One old lady said on television

she had fallen to the pavement when she saw the new prices

earlier last week. But because of the Polish currency's con-

tinual devaluation, the prices in dollar terms are still, in the

You can in fact buy peanuts in the familiar (to Western eyes) cans salted and roasted at the Polina Street market.

Pollna is the exclusive shop-

main, peanuts.

WORLD WEATHER

Shopping for an easier life in Poland

reason for optimism.

Personal wrangling which

HUNGARY'S strongest that the plants were to be sold

anese politics will open tomorrow. All three candidates are younger than current leaders who have been discredited by scandals in the past year. All are committed to basic reforms in the party and political system to reduce corruption.

However, if Mr Kaifu wins, he will first have to show he is not just the puppet of faction leaders who promoted his canhis victory.
This will be difficult for him because, as a member of a small faction, he has very few natural supporters. If he fails, the new era could be short-lived, as current leaders are hoping to return to power after a suitable interval during which their reputations can be

didacy and cleared the way for

cleansed.

The new leader will face unprecedentedly difficult parliamentary circumstances. After the LDP's crushing defeat in elections two weeks ago, opposition parties control the upper house of the Diet.

They will try to block LDP initiatives and press for an early election for the lower house so that they can exploit their current popularity. their current popularity.
At a joint press conference

after nominations closed, Mr Ishihara, 56, said Japan had to learn to say no in its trade negotiations with the US. Mr Hayashi, 62, was aggressive on agricultural policy. "The demand to liberalise Japan's rice market is a challenge to Japanese culture," he said. Mr Kaifu was cautious, as

The Party's radical reform wing led by Mr Pozsgay and Mr Nyers, which aims to come out on top at a Party Congress

in October, has said it will go into opposition if it loses at the polls next year.

But other prominent reformers have spoken out in favour of a coalition with opposition

parties, a prospect as fraught with danger for the Hungarian opposition as it is for Solidar-

The opposition parties

would like to see a reformed Party win so that they can

remain in opposition until the

next elections and gain strength," Mr Koszeg noted. Fully aware that the idea of

a coalition with the Communists - no matter how reformed

they may be - is extremely

unpopular among Hungarians, the new political parties are playing their cards close to

Of the dozen or so newly-

founded parties and opposition movements, the largest is the

Democratic Forum (MDF)

which is about to become a ful-

ly-fledged political party and

MDF is most frequently men

tioned by Communist Party

reformers as a possible coali-

tion partner. Its attraction

stems not only from its size

but also its emphasis on grad-

nal political change.

MDF seeks a "third way" for

Hungary, neither capitalist nor socialist.

A kilo of good sausage from a stall which had a sign on it saying "Glasnost" costs Zs20,000 – half a pensioner's

monthly income. An egg costs

My guide on Friday, a young

Polish woman, went to a dairy products stall, shook hands

with the elderly stailholder and took swift delivery of a pre-wrapped kilo of butter lit-

erally from under the counter.

She had asked for it the day before: it was Zs4,000, more

than double the shop price - but fresh, well packed and

Polina Street is relaxed, cos

opolitan and sophisticated.

The other good and pricey market in Brzeska Street, in

the Praga suburb, is shadler, with a reputation for being a

thieves' kitchen. You can order a chicken from a selec-

tion of live birds stuffed half

alive in cages, and come back at the end of your shopping to

Zs160.

runner. He said Japan should work hard to live up to foreign

countries' expectations.

Meanwhile, backroom negotiations intensified among major factions to allocate top cabinet and party posts once the new leader is chosen.

It seemed likely that the Miyesway faction would fare Miyazawa faction would fare poorly as the only large faction

poorly as the only large faction that refused to endorse Mr Kaiti's candidacy.

The Takeshita faction, which led the effort to promote Mr Kaifu, resented persistent efforts of the Miyazawa faction to upset its plans by encouraging Mr Ryutaro Hashimoto, the popular party secretary genpopular party secretary gen-

popular party secretary general, to run.

• Miss Takako Doi, leader of the Japan Socialist Party, hopes to visit Washington next month. She told reporters at the weekend she would like to explain the JSP's views on the larger US. Japan-US security treaty and the role of Japan's self-defence

Officially, the JSP opposes the security treaty and is pledged to abolish the defence force, but party officials said in recent weeks that these were long-term goals.

Jefferson Smurfit to combine US operations

in New York

JEFFERSON Smurfit, the Irish packaging group, is combining its main US paper and paperboard operations in a highly-le-veraged deal which could net the company about \$1bn in

Morgan Stanley, the blue-chip Wall Street invest-ment bank which is in a joint venture with Smurfit, will book a profit of \$140m on the

a paperboard company larger than itself, in a \$1.2bn lever-

The new plan is to combine Container, which has pros-pered under Smurfit's management, with the Irish company's other US operations under a

merchant banking at Morgan Stanley, said: "The company has done very, very well."

As a preliminary to the deal, Smurfit and a new group of Morgan Stanley investors will buy out the 23 per cent share of the company's US business Jefferson Smurfit Corporation held by the public.

They are offering \$38 a share, or about \$340m. Smurfit said it would retain some Canadian investments and a number of peripheral US operating units. In response to the announced proposal, Jefferson Smurfit Corporation's board

By James Buchan

The complicated deal, which was outlined broadly in an announcement in New York yesterday afternoon, appears to vindicate Smurfit's controversial strategy of expanding in the US through the aggressive use of debt finance and junk

Smurfit, which entered the US market in 1974, astonished the London and Dublin financial markets three years ago by buying Container Corporation,

Smurfit invested just \$60m in the deal, a group of inves-tors assembled by Morgan Stanley put in \$10m and the remainder was raised from bank lenders and the junk bond market.

new company worth about \$3bn.

This company will again be leveraged in the debt markets to provide Smurfit with a dividend of about \$1bn and the Morgan Stanley group with \$500m, including \$140m for the bank itself.

The junk bond holders will be bought out.
The key to the deal is the sharp improvement in Container's profits under Smurfit management.

The company, which had net earnings of \$43m in 1985, has grown steadily with net profits of \$87m in 1987 and \$127m in

Mr Donald Brennan, head of

collect it after its neck has been wrung off stage. I asked the tough old chicken who ran the stall how much her birds ping centre in Warsaw: you can spot it by the circle of BMWs, Mercedes, VWs and the odd Jaguar which surrounds it. were: "If you're serious about buying, I'll name a serious price," she said.

Offer to free hostage

Continued from Page 1

were no public statements by the administration. There has been no lessening of the military preparations, both in the eastern Mediterranean and in the Arabian Sea where a large naval group led by the carrier America will be in a position to launch an air trails at large cash, this work strike at Iran early this week. Mr Bush faces strong political and public pressure to use the current crisis to bring the whole hostage position to a

Senator George Mitchell, the Democratic Majority leader,

and Senator Robert Dole, the Republican Minority leader, yesterday both praised the President's handling of the

affair. They both also agreed with the implicit administration position that were another American, such as Mr Cicippio, to be killed, "that might be sufficient to trigger an American military response." An uncertain factor in the

current talks is the more than Sibn in Iranian assets in the US which was frozen 10 years

BAT's cut-price conundrum

THE LEX COLUMN

However absurd the bid for BAT may look in its present form, the Hoylake team has made an important early gain in the propaganda war. Its central contention is that BAT in its present form is a mistake, and must be broken up. Sure enough, the investment community has responded with a flood of alternative break-up flood of alternative break-up plans and valuations. No one,

plans and valuations. No one, not even BAT's existing management, has suggested that the company is ideal as it is.

The basic question is whether companies can ever justify standing at a discount to realisable asset value. If the directors of a company are offered more for an asset than offered more for an asset than it is worth to the business, they owe it to shareholders to take the money. Put another way, if BAT without a bid is worth say 26 a share and its break-up value is £10, it is up to the directors to explain to

shareholders why they should do without their extra £4. BAT's initial response is to point out that under the present chairman, total returns to BAT shareholders have been well in excess of the market

wer in excess of the market average.

By implication, the £4 (or whatever) is better left where it is than re-invested by share-holders. This is, to put it mildly, at odds with any notion of efficient markets. If the market really believed in such superior returns in future, it would bid up the share price to

Dear managers

There are suggestive paral-lels with the discount to asset value in investment trusts. This phenomenon has never been fully explained, but it will partly reflect the cost of fees and salaries to the trust's managers. More cynically, if the market assumes that the man-agers cannot beat the average but will carry on trying, the discount will reflect their deal-

The parallel holds good to the extent that BAT is a hands-off portfolio manager. Indeed, the situation is worse if a complete companies at and a superior companies. It and in acquiring companies, it ends up paying a premium for con-trol. The term is sometimes used carelessly: the premium is worthless unless it can be expressed in other ways, such as cost savings, operating syn-ergies or access to cash flow. If there are no such benefits, the premium is bad news for buys an insurance company, say, at a higher multiple of earnings than the market put on it, the market will take the

BAT Industries Share price (pence) 900 500

money, then revert to its ear-lier valuation of these earnings in working out the BAT share mice. For BAT's shareholders, the extra paid is thus dead money - or worse, if the share price goes on to discount the risk of BAT doing the same

300

1986

again. All this assumes that BAT brings nothing in terms of efficiency to the companies it buys. In fact, this is unlikely to be true, even if the effect is impossible to quantify. Visiting established BAT subsidiaries.

established BAT subsidiaries, one is frequently struck by the quality of management and by the strength of the culture which binds them together.

It can also be argued that a hands-off conglomerate can help a subsidiary by diversifying its risk, that farmens, say, may be prepared to take more radical business decisions as part of BAT than on its own. But the question is not whether Farmers will do better under BAT; it is whether it will do sufficiently better to justify the enormous premium paid for it.

Old style

There is also the feeling that for good or bad, BAT is now a profoundly old-fashioned struc profoundly old-fashioned struc-ture. Few companies would now propose to spend their excess cash on buying well-run businesses to which they may or may not be able to add value. Even if the Boots bid for Ward White suggests the tradi-tion is not quite dead, a more likely bineprint for the finure is the television company LWT, which is distributing LWT, which is distributing cash to shareholders and increasing management's share of the equity at the same

Goldsmith and Rothschild in claiming that a structure like BAT suppresses the entreagers. It is now not uncommon

for diversified companies in the US to obtain partial quota-tions for their subsidiaries, and offer the managers stock options in the bits of the busiopages in the one of the distribution of the property of the provided about similar plans, which would doubtless become reality if they were bid for.

To all of this, BAT would make a traditional rejoinder.

make a traditional rejoinder. Its break-up value may be higher than its share price: but that simply means the share price is wrong. Again, this argues for market inefficiency on a quite heroic scale. Ever since the RJR Nabisco deal, every investment banker in London and New York has been rehearsing BAT's been rehearsing BAT's break-up values to anyone who will listen. The market is quite aware of what the assets are worth to others; it simply thinks they are worth some-thing different in the hands of

The next step

And what if Hoylake were simply to go away? Typically, when a bid has failed the target company's price will not revert immediately to its pre-bid level. The market will spend time considering whether it had undervalued the company before; it will also have hopes either of another bid, or of better results from a galvanised management. But in the absence of another bid, academic research suggests that over the next couple of years the price will end up back where it started. Not that there is any evi-

chart there is any evidence that Hoylake is about to abandon the campaign. Granted, the BAT share price has fallen sharply in the past week, and is now more than £1 off its neek and 24p below How. off its peak and 24p below Hoy-lake's notional 850p bid price. This is because it has gradu-ally dawned on the market that the tangle of US litigation in which Hoylake is now emmeshed may not be consist-ent with the UK timetable for hid procedure. But none of that was unfore-

seeable, and while it is point-less to speculate in detail, it can be assumed that Messrs Goldsmith and Rothschild laid Goldsmith and Rothschild laid contingency plans before they started. Hence, presumably, the exploratory and low-cost nature of the initial bid, which allows it to be dropped if necessary and resumed later in the litigation process. The important thing is that more also can intervene in the meantime a rival bidder would have to start the same tedious legal process all over again.

. . .

A message to companies that purchase company cars.

You can have your cake and eat it.

There is nothing wrong with buying cars for a company's fleet. It's just we suggest you don't do it.

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FINANCIAL TIMES COMPANIES & MARKETS

Monday August 7 1989



INSIDE

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NINCANION

Lucas starts to see the light

After conducting a revamp of Lucas industries' automotive activities nearly 18 months ago, Bob Dale sat in the two-thirds empty mausoieum at Great King Street. Birmingham, which was once the thriving hub of a vast car components empire and wearily acknowledged — for the umpteenth time — that Lucas had undergone more motor components reorganisations than many have had hot dinners. This time, however, there are increasing signs that the shake-up is having the desired effect, writes John Griffiths. Page 16

French bonds join the bicentenary celebrations



France had more than its fair share of publicity in July as the ocentenary of its revolution was celebrated in style. A few privileged citizens, however, were aware that one subject worthy of attention slipped by almost unnoticed. Despite the celebrations, and the resulting absence of many French investors who preferred to be on the beach, July witnessed the sudden expansion of new issue activity on the Euro-French franc market. Andrew Freeman reports. Page 17 -

of consumer electronics

The share that colour television sets, hi-fis and the video recorders take of Japanese domestic output has dwindled to a mere 20 per cent, as production has been shifted offshore. Yet, in the West, the consumer products business is being exalted as the harbinger of the next revolution in information technology. So has west-em industry got it wrong — jumping into a market just as the Japanese are pulling out? No, argues Guy de Jonquières. For though the Japanese have videned their horizons beyond consumer electronics; they are a long way from abandoning an activity that remains an indispensable weapon in their industrial arse-nal. Page 30

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Foreign suitors lured by the English rose

David Barchard on what could be a rare opportunity to buy into the top end of the UK banking market

or foreign banks eyeing Britain's banking market with 1992 in mind, the news that Yorkshire Bank may be up for sale is an exceedingly

rare opportunity to buy into the market at the top end.

For though Yorkshire Bank resembles Girobank, the only other UK bank to come onto the market in the last year, in having its headquarters in the North of England, the resemblance stops

there.
For nearly eight decades, Yorkshire Bank has been owned by a consortium of the big clearers. What began in Edwardian times what began in Edwardian times as the bailing out of a provincial savings bank, had become by the 1980s an extremely remunerative if low profile joint venture between National Westminster, Barclays, Lloyds and Royal Bank of Scotland

Midland was once a member of the consortium, but dropped out in the early 1950s. Today Nat-West has a 40 per cent stake; Barclays 32 per cent; Lloyds 20 per cent; and Royal Bank 8 per

If Yorkshire Bank is sold — so far its owners have only indicated that they are thinking about a possible deal — the four will be sacrificing the annual contribution it makes to their profits in favour of the handsome goodwill premium it can be expected to raise. This will strengthen their capi-

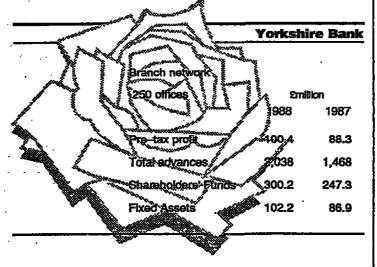
tal base in a year when all of them have been forced to shell out hundreds of millions of pounds in provisions against Third World debt. In British banking, there are few institutions which can be

directly compared with Yorkshire Bank, a low-cost, no-frills pro-vider of solidiy profitable retail banking services which has been given a relatively free hand by its owners for several decades to get on with the business of quietly making money in a local market with which it is closely linked. For many years, the bank's

general manager was not even a member of the board which consisted of retired senior figures from the clearing banks who through its accounts

When three years ago, Mr Gra-ham Sutherland, Yorkshire's general manager, was offered a place on the board, it was a break with tradition: Before accepting, he felt obliged to sound out his colleagues in Leeds to be sure that they would not object to his new

Similar conservativism has helped shape the bank's high profitability the origins of which lie in the late 1950s when it was one of the first UK banks to go



into the personal lending market, drawing on its detailed knowledge of its customers, who are

now around the 1.1m mark.

Its role as a trall-blazer in this market was somewhat uncharacteristic. More typical was Yorkshire Bank's initial unwillingness in the early 1980s to enter the residential mort-gages. "We disliked the idea of lending long and borrowing short and we noticed that the building societies in those days still seemed to have clear advantages over the banks when rates were

high." says Mr Sutherland. In recent years, Yorkshire Bank's has been behaving much more like any other clearer. It has broadened its range of products, cautiously begun to offer cash machine facilities, and become a Visa credit card issuer.

Last Friday, it also joined Switch, the electronic debit card scheme launched last war by scheme launched last year by NatWest, Midland, and Royal-Bank of Scotland.

More striking has been the steady growth of Yorkshire Bank's 250-strong branch net-

though roughly half its customer base is still in Leeds and Humberside, there has been a striking advance southwards. Branches are now to be found in southern towns such as Abingdon and (very soon) High Wycombe. A notable and deliberate gap in

the map is London where Yorkshire Bank maintains just one branch, at Cheapside in the City. There are also some relatively unexplored areas in its business profile. Its clearing bank owners have no doubt been perfectly satisfied that corporate lending is one. Though Yorkshire Bank is

proud of the corporate business it has built up, other Leeds banks will quietly tell you that it is more of a bank for the small busiman than larger companies.

These are gaps which any purchaser will not find it difficult to fill, though a foreign bank wanting to use Yorkshire as a springboard for a full - scale presence in the British retail banking market, would almost certainly try to add to its presence in the south, perhaps by purchasing one of the larger southern building societies. So far, only National Australia

Bank is known to have made a definite approach to buy Yorkshire Bank. Its owners must be hoping that other suitors will appear and that the price can be driven upwards. Word in the City last week was that, with the goodwill it can command, the Yorkshire Bank.

should fetch a price around 15 times its historic earnings, or perhaps £350m to £900m (\$1.4bm). National Australia, however, has a head start, having a sub-stantial presence in the UK banking market already as the owner of Clydesdale in Scotland and Ireland, Last week National Australia had a rights issue of A\$334.4m (\$257m) partly aimed at financing international acquisi-

The field of Yorkshire's suitors is unlikely to end there, however. French banks, such as Credit Lyonnais (which is believed to have been rebuffed as a pur-chaser for Girobank) and perhaps even German and Japanese Banks will probably feel inclined to examine its prospects very seriously.

Don't count on US economic policy

By Anthony Harris in Washington

merican weather-persons merican weather-persons announce the barometric pressure as "three-oh point two nine inches"; yet I'm sure that they don't answer questions about their age with "three four." Slightly odd, that. When a serious newspaper reports that the Japanese have been selling some device at "178 per cent below cost" it is rather more than odd (what they meant was that a odd (what they meant was that a 178 per cent anti-dumping duty had been imposed). When a shop assistant gets out his calculator to discover how much change I am due for a \$3 purchase out of a \$5 bill, the penny drops. Clearly, many Americans do not find numbers user-friendly.

This isn't just an American problem, of course. I remember a London news bulletin which said that 300,000 tons of bananas were rotting on the quayside in Barce-lona — about 14lbs for every Spaniard; an overstatement by a factor of 100 that nobody had noticed. At least, though, the number can be translated as "a lot of bananas". It is harder for American listeners to know what is going on when they are routinely told, for example, that inflation rose 0.2 per cent last month," when what the announcer means is that prices rose, but inflation fell. (The BBC used to muddy the waters itself by decribing a trade surplus as a "profit", but has learned better economics from long national economics from long national

adversity.)
When the problem appears at what ought to be professional levels, it is downright worrying. Only last week, for example, a leading business magazine publeading Distincts inagazine published a letter explaining that the idea that high interest rates mean that the cost of capital for US businesses is high is a myth.

The interest rates gap, the

writer explained, simply measured the difference in inflation expectations between the US and its competitors. This, he went on, is proved by the forward discount of the dollar in the currency markets against low-interest-rate currencies. If they didn't like the answer, borrowers could always

This is the kind of nonsense one expects in a saloon bar argument, or from a first-term student; but the letter was signed by an associate professor of finance at an apparently respectable university. When professors of finance apparently do not know anything about arbitrage, which ensures that forward rates are a

strict function of interest differ-entials, or the cash flow strains of high nominal rates, or the risks of exchange rate exposure in today's markets, his students

are in trouble.

These anecdotes are a long approach shot to the paradox that really concerns me: the US has a virtual world stranglehold on first class economics, but ordinary American legislators and media tend to make a fearful muddle of quite straightforward

problems.

The debate on the savings and loans which has obsessed the Congress right up to the summer recess is an excellent example. The fact that the exercise is universally known as "the S&L bail-out" got the discussion off to a bad start; for the failed thrifts have not been bailed out. They are bankrupt, and their owners may wind up in jail. The crisis is simply about making good on the federally insured deposits which financed their unwise lending.

Once it is realised that the effort is aimed simply to prevent up to \$200bn of small savings from vanishing in a puff of acrid smoke (and incidentally to preserve the faith and trust of the US Treasury), the issues are fairly simple. The question the crisis ought to raise is whether savers need federal guarantees in the first place. Other countries get along very

well without State insurance, because they make sure that the saving institutions are properly supervised; in the US the combi-nation of insurance and lax supervision was deadly. Congress did, to its credit, tackle the question of rules of conduct in the face of much lobbying, but the insurance question was ducked entirely. They did not even try to amend the rules to make sure that the cover is restricted to small deposits, as was originally intended. As things are, brokers can split any sum, however large, into insured, \$100,000 packets.

nstead, both sides spent their time accusing the other of sharp practice in trying to capital cost of the claims off the Budget. This is purely a financing transaction, and therefore, as Mr Alan Greenspan patiently explained last week, should rightly be handled off budget. The taxpayer must simply pay the interest which depositors expected to receive from mortgage-holders. It is not so easy to stop a good political

row. Unfortunately the Adminis

tration had never made Mr Greenspan's point. The final compromise managed to get the worst available result, as usual. Part of the money will be put on the budget this year, when no waiver is required under the Gramm-Rudman-Hollings deficit-limiting Act: G-R-H is about projections, not about out-turns. This reminds international investors to read the small print. The rest is raised through the Administration scheme for a special off-Budget financing corporation, which will probably now be regarded with unjustified suspi-cion. One note of good sense: Messrs Dan Rostenskowski and

f anyone could have pre-vented this unnecessary row, it is Mr Richard Darman, the budget director, he is a highly sophisticated thinker who has also charmed the Congress. Unfortunately he has yet to master the Greenspan art of explain-ing issues in simple terms without appearing to talk down.

Leon Panatta, chairmen of the

relevant committees, voted

against this mess.

Mr Darman was in trouble again recently when he gave a thoughtful talk to the National Press Club on the need for long-term thinking - he is especially concerned to get people thinking about the importance of public-sector investment, which fell by half from an already very low level in the Reagan days. His talk was reported, so far as it was mentioned at all, as just another hell-fire sermon on deficits.

Economics is complicated, and can often be rather boring; Americans are trained, by their media and their politicians, to regard it as simple, but generally deeply alarming. As a result, it is hard to sell sound policies, but easy to stir up a crisis.
A final silly-season example.

Some high tech-companies in Europe, and non-European operations, are finding it hard to find high-end suppliers to satisfy local content rules. This includes Japanses car-makers and European computer-makers - who complain that only IBM can meet the requirements for public-sector buying. They have been begging American chip-makers to set up European operations. This could be reported as what it is: a tribute to American know-how. It is reported instead as sinister evidence of Fortress Europe. Watch for developments.

Economics Notebook

The taxing problem Italy faces

5mi VAT returns. The second

reason was the enormous backlog of land and property -some 8m factories - still to be

valued for tax purposes, and the third was the extraordi-

nary length of time needed to individual challenges to tax

The Court reported that

there were no fewer than 2.6m outstanding cases to be adjudi-

cated by Italy's special taxa-tion courts because they lack

the staffing, in particular a complement of full time judges, to make much impres-

sion on this mountain. An IMF

report to the Government late last year explained that it was

in taxpayers' interests to chal-

lenge assessments because

they would only pay 12 per cent interest on the final sum for which they were judged lia-

ble, and better returns are to

he had from long-term invest-

ments. Moreover, taxpayers

can reasonably hope to benefit

from one of Italy's regular tax amnesties which will allow a

lower payment than that origi-

If Mr Paolo Cirino Pomicino

Minister of Finance, really

wants to attack tax evasion he

could do a lot worse than pour

over the IMF report. One of its

key recommendations was the

need for a simplification of the

tax system by abandoning the

greater part of the 100 or so

nally demanded.

GOOD fortune recently took the national accounts - identime to one of Rome's smartest fied three basic reasons for the and most expensive restautest extent of evasion. First and rants where, both of us having dined in fine style, my host was presented with the bill was presented with the bill scrawled on a scrap of paper evidently torn from a child's exercise book. The significance— was immediately grasped the proprietor of this fine eating house, who that same evening was feeding Italy's new foreign minister, was intent on evad-ing payment of the value added tax on his by no means modest charge.

My host protested that he did not expect to be asked to participate in evasion by such a top restaurant which (very Italian, this) had not even had the good grace to invite him to share the sin by discounting the bill. A proper receipt was duly presented and my friend freed from the danger of arrest. A law passed in 1980 renders consumers hable to punishment if they are found without a receipt in the immediate vicinity of services purchased.
The incidence of tax evasion in Italy is truly phenomenal. reflecting a culture which still tends to regard the state as an

occupying power and its defrauding as almost a social duty. Most estimates put the total sum failing to reach the national exchequer every year at between L200,000bn and L250,000bn (\$188bn) ar around 20 per cept of gross domestic product. This year's budget deficit will be in the region of Liso oobn and could in theory be wiped out if the problem was more efficiently addressed. Every government, including

i tain

the one most recently installed under Mr Giulio Andreotti. promises to improve the State's performance in collecting taxes, but most have failed to make much impact.
A recent report from the

taxes for which an Italian may be liable. In fact, 97 per cent of the Treasury's income derives from just 16 imposts, and the costs of trying to apply the dozens of others far outweigh the Corte dei Conti - the indepen- ens of others far outweigh the dent institution which checks revenues derived. The IMF

observed that a study made last year showed that the costs of gathering direct taxes were 5.3 per cent of total revenues most important is the inade-quate scrutiny of tax returns which means that in 1988 only and 4.1 per cent of indirect taxes, far higher than the 2 per cent average in other industri-225,000 out of a total of 25m direct tax payments were checked and only 150,000 out of alised countries.

The report was understandably disconcerted by current plans which can only raise these costs by adding another 15,000 to the 100,000 people in the Ministry of Finance and the tax police, the Guardia di Finanza, currently involved in administering the tax system. Their efforts, it said, would

the much more concentrated and effective if a reduction in the number of taxes was accompanied by large-scale ptions from the payment

It has to be pointed out that not all Italians are serious evaders - the act is virtually impossible for the directly employed to sidestep, while large businesses also assume their responsibilities.

Indeed, the relative freedom of self-employed people to keep most or all of what they earn is causing such resentment among those with no such opportunity; that the trade unions are mounting a major campaign aimed at sparking a convincing war on tax evasion.

If the problem is ever seriously tackled, it will mean economic misfortune for some, but also a profound change in the nation's politics. Because once a sufficient number of Italians are actually digging into their pockets to pay for public services, they are bound to demand something rather better than the current woefully inadequate health, welfare and other services which the politicians have so far done so little to improve.

THIS WEEK

THE SPENDING THE SPENDING and borrowing behaviour of both US and UK consumers will provide themes for financial markets this week.

Final UK retail sales figures for June are published today. Provisional figures showed a fall of 1.8 per cent, cutting the annual growth rate to its low-est level for nearly five years. But the series is volatile and could be substantially revised. US figures for retail sales in July are released on Friday. Recent months' figures have pointed to a significant slowdown in consumer spending, soothing concerns about inflation and encouraging hopes of an easing of monetary policy. The consensus of analysts' forecasts, compiled by MMS International, the financial research company, is for a rise

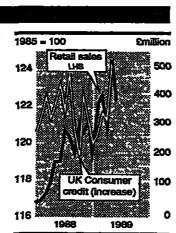
Other US figures include the producer price index for July, also on Friday. The index is widely regarded as a good indicator of future inflationary

It could give further clues about the expected abatement in price pressures, influencing bond prices as well as dollar trading. The consensus of analysts forecasts is for a rise of 0.1 per cent compared with the

previous month. In the UK, figures for consumer credit agreements in June are released at the same time as the retail sales numbers. In May, credit outstanding showed a record £505m increase - prompting specula-tion that consumer borrowing had become indifferent to

higher interest rates. The Bank of England publishes its August quarterly bulletin on Thursday. Analysts will be reading between the lines in the bank's economic ment for clues about the interest rate policy of the monetary authorities and for hints about when a cut might be expected. Most expect the bank to play down hopes of an early

With few economics statis-John Wyles tics expected elsewhere in



Europe, more than usual atten-tion could be focused on Japanese trade figures for July which may be published later this week. During the Spring there were signs that the monthly surpluses may have been getting smaller but many analysts expect the latest figures to show a return to an upward trend.

The election of a new President of the Japanese Liberal Democratic Party on Tuesday will also be a focus of atter tion. Last week Mr Toshiki Kaifu, a former cabinet minis ter, emerged as front-runner to replace the disgraced Prime Minister Mr Sousuke Uno.

Other events and statistics this week include: Today: US, Consumer install-ments credit for June. Commonwealth foreign ministers meet in Canberra.

Tomorrow: Japan, Economic Planning Agency publishes annual white paper on Japanese economic performance and developments. US, threeyear Treasury note auction. Wednesday: US, 10-year

Treasury note auction. Thursday: Australia, employment figures for July. US 30year Treasury bond auction. UK, Bank of England banking sector statistics for second quarter, money stock in second

Friday: UK, usable steel production in July. Hong Kong, June external trade statistics.

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UK COMPANY NEWS

Maxwell renews interest in **Harcourt Brace**

By Raymond Snoddy

MR ROBERT MAXWELL, the MR ROBERT MAXWELL, the publisher, has renewed his interest in trying to acquire some of the publishing operations of Harcourt Brace Jovanovich, the US educational publishing group.

Two years ago, Mr Maxwell chairman of Maxwell Communication Corporation lemched

nication Corporation, launched a \$1.731 m bid to take over Harcourt 13race - a bid that finally falled after bitter litiga-

During the battle Mr William Jovanovich, like Mr Maxwell a self-made publisher of Eastern European origin, said of his British antagonist: "Mr Maxwell has money, but not enough. He has ambition, but not enough. He ought to be sent packing to Liechtenstein (where the trusts controlling Maxwell companies are based)."

To avoid the unwanted Maxwell embrace Harcourt decided on a \$3bn recapitalisation plan which tripled the company's debt to \$2.9bn

Magazine and school supply businesses were quickly sold off and this June, under pressure from bankers and Wall Street, Harcourt Brace decided to sell its six theme parks – including the Sea World aquar-iums to reduce debt.

fall in his debt now gave his group the freedom of manoeu-vre needed "to make further The first round of bidding for the theme parks, expected to raise more than \$1.5bn, is now strategic acquisitions should the opportunity arise."
The British publisher added, however, that there were no billion dollar deals in prospect.

under way. Mr Maxwell believes that the

By Andrew Hill

ter net loss from continuing businesses rose 151 per cent to \$131.5m - that there will be further disposals.

The British publisher, who is not interested in either the theme park or Harcourt Brace

as a whole, is interested in acquiring any of the company's acquiring any of the company's textbook, scientific or medical publishing businesses that come on the market.

He regards the bitter takeover battle as past history and has indicated that his interest in any Harcourt Brace operations would be a matter of business rather than At an MCC briefing last

als.
Mr Antonio von Marx, who
fronts AIM and is a distant
cousin and former employee of

Lord Thomson, a former chairman of the Independent

BAT would be put into volun-tary liquidation, in an attempt to bypass income tax liabilities, and the proceeds passed to shareholders. Mr von Marx said up to ten

Backing sought for alternative **BAT** plan

AIM GROUP Zurich is hoping And GROUP Zurich is noping to persuade Lord Thomson of Monifieth to put forward its alternative reorganisation plans for BAT Industries, the tobacco-based conglomerate facing a £13bn bid from Sir James Goldsmith's Hoylake

AIM, a little-known merger and acquisitions business which seems to be viewed with a mixture of disdain and a mixture of distain and amusement by the main players in the BAT bid, yesterday produced more details of its counter-proposals. It claims the plan – for the existing board to dispose of BAT's non-tobacco interests – would realise corne false, or 50km. realise some £1bn or £2bn more than Hoylake's propos-

Sir James Goldsmith, said a "steering committee" of lead-ing industrialists would be appointed to press for a special meeting of BAT shareholders. A vote to approve the plan would require the support of investors holding at least 10 per cent of BAT's equity.

Broadcasting Authority and a director of Royal Bank of Scotland and ICI, would chair the committee. Mr von Marx said he had worked with Lord programme. So far, however, he has been noted. Thomson on a 1979 television has been unable to contact the peer. AIM said the non-to-bacco businesses would become part of a separate com-pany, "EX-BAT". Within a year, after divestment, EX-

UK merchant banks would be appointed to auction off the non-tobacco businesses. Kleinwort Benson had already agreed to take part, he added

Today's fashion is tomorrow's risk

John Griffiths on Lucas Industries' approach to technology of the future

HORTLY AFTER conducting a revamp of Lucas industries' automotive activities, Mr Bob Dale sat in the two-thirds empty mauso-leum at Great King Street, Birmingham which was once the mingham, which was once the thriving hub of a vast car com-ponents empire and wearily acknowledged – for the ump-teenth time – that Lucas had and chief executive, Mr Tony Gill, insist that they are not complacent about the turnundergone more motor compo-nents reorganisations than

many had had hot dinners.
"Will this one work? There's no point in me saying 'of course it will', because you won't believe me anyway. You're just going to have to wait for next year's profit fig-

ures".
That was nearly 18 months ago. And as this year has prog-ressed Mr Dale, 50, managing director of the Lucas Automotive division created out of the reorganisation, has assumed increasing confidence. First came confirmation, in March, that profitability of

Lucas' automotive operations was continuing to climb sharply, even if sales were not. The 23 per cent rise in oper-ating profits last year, on a static turnover of around £1.2bn, accelerated to 34 per cent — on sales of £634m — in cent — on sales of 2634m — in the current year's first half. Nomura Research Institute's Mr John Lawson, for one, sees the trend as likely to continue, at least in the short-term.

Last month, Mr Dale dis-

closed that Lucas Automotive intended to expand more than five-fold its production of sophisticated, electronic-based car anti-skid systems. This week news came of a

landmark contract to supply BMW with 400,000 fuel injectors a year, giving cautious credence to Dale's contention that even West German car makers would like to weaken the near-monopolostic grasp in the "high-tech" sector of com-ponents giant Robert Bosch, and that Lucas can help in the process.
Lucas is about to announce

that another "prestige" car maker, Saab, is to take com-plete electronic fuel injection systems from the UK-headquartered company.

However, both Mr Dale and
Lucas Industries' chairman

Even though the BMW contract has been seen in the City as a vote of confidence in Lucas, "we know that there are analysts out there just waiting for car markets to go down and us to go down with it again - I'm looking to disillu-sion them", said Mr Dale.

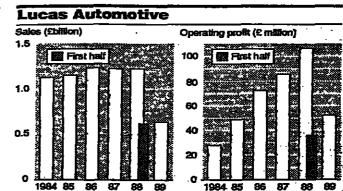
The contention that Lucas won't necessarily suffer too much when the current, fouryear-old boom in West European car sales, comes to an end is based on several arguments.
The first is linked to Lucas' core strategy of investing heavily in its own expertise to produce sophisticated electron-

"Cars are going to become much more complex", says Mr Dale. "And if we're supplying a range of complex component sub-systems and packages, there's no reason for our sales value to go down even if the car market does". Lucas Automotive is currently investing around £100m a year in

ic-based systems for vehicles of

research and development in pursuit of this goal. So far, it believes car buyers have only glimpsed the new technology to be applied in cars over the next few years. For example, says Mr Dale, "London has to have a vehicle control system - it can't be left to traffic lights", thus opening new opportunities in terms of components for automatic guidance systems.

Lucas is also preparing for the approach of the drive-by-wire "intelligent" car, in which suspension, traction, steering and other key aspects of a vehicle's behaviour will be under electronic control.



"Essentially, we're dealing with systems integrators; trac-tion control, chassis control the developments are almost

endless."
Increasing sales volume -Lucas Automotive's turnover has hovered around £1.2bn for the past four years - is a task that still lies mainly ahead, even if given impetus by the

new contracts.

However, Mr Dale reckons
Lucas is much better placed to
do so as a result of steady progress made on managing costs downwards. He estimates to have taken 20 per cent out of costs already through the restructuring seen in the pro-cess acknowledging a debt to the Japanese. "We've copied a lot of their methods", says Mr Dale - a task made easier by the joint ventures in which Lucas Automotove is already involved, which are likely to be followed by more over the next

few years. These are Lucas Yuasa Batteries, which is supplying ignition and braking equipment and batteries to Nissan's manufacturing plant in the UK, and Lucas Sumitomo Brake Industries in the US. The latter was set up initially to supply Mazda and Ford's joint vehicle plant at Flat Rock, Michigan But it is seen also as a lever for prying open further Japanese "transplant" business in North

America. Rist's, Lucas' in south Wales which is to supply Rover and Honda with wiring harnesses, is said to have been a major beneficiary of work practice restructuring — "you might balleve you were in Japan", claims Mr Dale — "it's a rep-lica of a Sumitomo factory. Mr Dale makes clear that Lacas is on the provi for fur-ther joint ventures with the Japanese in other product areas, an aspect that has assumed even higher priority

in the wake of Toyota's deci-sion to set up both car and engine manufacturing plants in the — the biggest Japanese investment to date in Europe. Toyota are intensely conscious of the need to be seen as European", claims Mr Dale, who has already started talks with the Japanese company. He insists that all three Japanese incomers already feel "comfortable" with Lucas because of its long-standing links with the Japanese indus-

try. About half of all Japanese

cars, for example, use Lucas brake technology under Group chairman, Mr. Tony against an invasion of Japa-nese component makers – as has happened in the US, where there are now over 300 - won't

when Japanese car makers first arrived in the US they found a domestic car industry which was very vertically inte-grated, and consequently an insidequate- and inefficient infrastructure of independent

inflastracture of independent component suppliers — and thus had to encourage Japanese component makers to set up shop.

The European independents, he suggests, have both had time to restructure and were in any case more efficient and flexible because the European manufacturing scene is so manufacturing scene is so much more complex. Lucas Automotive is also not

ruling out any acquisitions which might be relevant to its central strategy - a sharp contrast to the disposal of some of its "commodity" component businesses like lighting and starier motors a year or two speculation that, like Smith's Industries, Lucas might be planning to get out of the motor components sector alto-

gether. we're now financially strong and positioning our-selves to do whatever looks right, says Mr Gill. Some fur-ther minor restructuring of the existing automotive operations is also in prospect: "some small disposals, but no dramas— fust princing and good hus-handry."

However, Mr Dale stresses,

one of the main lessons Lucas has learned during the 80s is to be flexible in attitude and approach. "As the motor indus-try continues to go through the globalisation process, we will see the players continuously shifting strategy; that is why we are not casting in concrete our own portfolio for the next

Gill, believes that a more peasi-mistic acenario, of European row's risk."

Wace extends presence in the US

Wace Group, the pre-press services company, is to buy two US film processing compa-nies for an initial consideration of \$1m (£617,000) in shares and cash. There will be further performance-related payments up

Wace's presence in the US both geographically and its range of

The two companies, which trade under the name of Ross Ehlert, run film processing laboratories and offer reproduction services to the exhib ition and advertising indus-

week accompanying the announcement of £192m pre-

tax profits for the 15 months to

March 1989. Mr Maxwell was.

however, scathing about what had happened to Harcourt Brace since the decision to

recapitalise.

Mr Maxwell went on from

his Harcourt Brace defeat to

successfully take over both Macmillan, the US publisher,

and Official Airline Guides last

year in deals that totalled

\$3.5bn.

He said last week that the

One of the companies is based in Chicago, the other in

Red Funnel disowns press profit estimates

By Andrew Hill

RED FUNNEL Group, the Southampton-Cowes ferry operator facing a hostile bid from Sally UK Holdings, has dissociated itself from press estimates that its three principal divisions contributed equally to group profits.

Last year, Red Funnel made
£2.84m before tax. The group

did not break down the contri-bution of the main operations ferries, tugs and haulage and engineering interests except to say that Cosens, its engineering subsidiary, had recorded "a small trading

Red Funnel has another two weeks to publish new financial information, should it decide to split out the performance of the different divisions, or to

issue a profits forecast for 1989. Sally UK, which runs ferries between Ramsgate and Dunkirk, is offering 205p a share offer for Red Funnel, the trading tional

name for Southampton Isle of Wight and South of England Royal Mail Steam Packet.

Earlier last week Sally had to clarify its position after Mr Michael Kingshott, the company's managing director, said its parent companies - Effoa-Finland Steamship and Johnson Line of Sweden — would be prepared to make £150m-£175m available for the ferry group if necessary.

Sally pointed out that this indicated a general commit-ment, and did not relate specifically to the bid for Red Funnel, which values the Southampton group at £20.9m.

Gestetner

Lynx falls into loss in second half

Lynx Group fell sharply into the red in the second six months and for the full 1988-89 year ran up a loss of almost £1m at the pre-tax level.

One of the factors responsi ble for the loss was an almost virtual disappearance of turnover for TV audience measure-

developing a new system to enable domestic electricity meters to communicate to central computers, which had not progessed sufficiently, were other factors contributing

Turnover for the year to end March edged ahead to £6.94m (£6.37m).

FT Share Service

The following securities were added to the Share Information Service in Saturday's edition: Anglo Group 9½ pc Conv. Bond (Section: Banks). Ashley Group 8.25p (Net) Cum. Red. Prf. (Foods). Hambros 72pc Pref.

Invicta Sound (Leisure). Molyneux Estates (Property) Trace Computers (Electricals).

Treatt (Foods). Wensum Co. (Drapery &

BOARD MEETINGS

The following companies have notified dates of board meetings to the Slock Euchange. Such meetings are exactly held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interine or finale and the subdividends above below are based metally on the subdividens above below are based metally on the subdividens.

ALLCO INTERNATIONAL LIMITED August 7, 1989 By Cobook, N.A. (CSS: Dept.) London, Agent B

Oceana profits downturn

PROFITS of the Oceana Consolidated Company, invest-ment concern, fell from 2479,600 to 269,000 pre-tax for the year to end-March. Turnover rose from £0.98m to

Exceptional provisions rose to 2250,000 (259,000) but tax credits fell from £150,000 to £7,000. Earnings emerged at 1.17p (5.28p) per share and the dividend for the year is a ne again 1.25p.

... Issue of up to U.S. \$75,000,000

SPAREKASSEN sds

Sparekassen SDS

Floating Rate Capital Notes due 1991 U.S. \$40,000,000 having been issued as the initial tranche and U.S. \$29,006,000 having been issued as a subsequent tranche

For the period from August 7, 1989 to November 7, 1989 the Notes will bear interest at 81/4% per annum. U.S. \$2,188.19 will be payable on November 7, 1989 against Coupon No. 15,

By: The Chase Manhattan Bank, N.A.

London, Agent Bank August 7, 1989

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SPONSORED SECURITIES Gress dix (p) 5.7 8.8 1.4 34.2 5.4 6.2 8.4 10.5 | Brenshill Big Meas CLE.R.P | 1094 | 1094 | 1094 | 1094 | 1094 | 1094 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 1095 | 51 36 88 35 126 Jackson Group (SE) 123
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260 190 6.9 5.3 187 40 12.3 9.3 3.2 10.1 10.7 9.4 2.7 2.6 11.2 9.3 7.2 22.6 5.6 9.4 16.2 4.8 28.1 _ 390.· Securities designated CSD and OESIAn are dealt in subject to the noise and regulations of The Stock Exchange. Other securities listed above are dealt in subject to the rules of TSA. These Securities are dealt in strictly on a statched bargain basis, Neither Generitie & Co nor-Granville Davies Limited are market makes in these securities.

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Prices taken at 5pm and change is from previous close at 9pm

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old Mines	202.9	199.9	193.5	192.0	187.5	193.6	206.0	. 154.7	734.7	43.
T-Act All Share	1184 92	1176.27	1177.16	1170.46	1173.25	1176.69	1184.92	921.22	1238.57	61.9
T-SE 100	2327.5	2306.3	2387.8	2292.3	2297.0	2306.0	2327.5	1782.8	2443.4	966.

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Gartmore American Securities p.l.c.

....(An Investment Company under S.266 of the Companies Act 1985 Incorporated in England, Registered No. 533261)

Type of Security Ordinary shares of 25p each Zero Dividend Preference shares of 25p each

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in issue post capitalisation 36,947,834 36,947,834

held on 4th August, 1989, of the reorganisation of Gartmore American Securities p.l.c. into a split capital investment trust, the issued share capital of the Company comprises the abovementioned securities. The Council of The Stock Exchange has admitted the shares issued by way of capitalisation

Copies of the Extel cards containing particulars of the shares are available in the Extel Statistical Services and copies of the Circular issued by the Company to shareholders on 11th July, 1989, may be obtained during normal business hours on any weekday until 9th August, 1989 from the Company Announcements Office, The Stock Exchange, 48-50 Finsbury Square, London EC2A 1DD and up to and including 18th August, 1989 from:

Gartmore American Securities p.l.c. Gartmore House, 16-18 Monument Street, London EC3R 8AJ

County NatWest Wood Mackenzie & Co. Limited, Drapers Gardens, 12 Throgmorton Avenue,

London EC2P 2ES

7th August, 1989

August 1989

KNOBS & KNOCKERS PLC

This announcement appears as a matter of record only

Acquisition of The Property Trading Activities of

PRIOR SECURITIES PLC

Revolving Term Credit Facility

£30,000,000

Structured and Underwritten by



BANK OF BOSTON

Property Finance Group

THE FIRST NATIONAL BANK OF BOSTON Bank of Boston House, P O Box 155, 39 Victoria Street, Westminster, London, SWIH 0ED

ment equipment.

The hoped-for development of sales of electronic hotel safes, which were not forthcoming, and the project for

to the loss.

Gestetner says its associate company Balez has declared its offer for Hanimex uncondi

LEND LEASE CORPORATION LIMITED Option Bonds due 1996 (the "Option Bonds") CONVERTIBLE INTO 10.000.000 ORDINARY SHARES OF LEND LEASE CORPORATION LIMITED (the "Company")

NOTICE is hereby given that as a result of the laste of shares pursuant to a renounceable rights issue (at \$ 7.50 per share on the basis of one (1) shares for every ten (10) shares held), the Subscription Price of the Option Bonds (as defined in the terms and conditions of the Option Bonds) has, in accordance with the Trust Deed consoliting the Option Bonds dated 26 November, 1938, been adjusted from Australian dollars 11.16 to Australian dollars 10.76 with effect from 24 July, 1989.

BANQUE PARIBAS LUXEMBOURG Principal Paying and Conversion Agent

This advertisement is issued in accordance with the regulations of the Council of The Immemational Stock Exchange of the Unitad Kingdom and the Republic of Ireland Limited ("The Stock Exchange"). The Council of The Stock Exchange has agreed to admit all the existing ordinary shares, the new ordinary shares issued as consideration for the acquisition of the property trading business of the Prior Group and the new ordinary shares issued pursuant to the placing to the Official List. It is expected that admission to the Official List will become effective and that dealings will commence on Monday, 7th August, 1989.

KNOBS & KNOCKERS plc (Incorporated in England No. 2101254)

ACQUISITION OF THE PROPERTY TRADING ACTIVITIES OF THE PRIOR GROUP PLACING OF NEW ORDINARY SHARES INTRODUCTION TO THE OFFICIAL LIST

SHARE CAPITAL

Issued and to be issued fully paid £3,900,000 ordinary shares of 10p each £2,924,499

Listing Particulars relating to the Company are available in the statistical service maintained by Extel Financial Limited. Copies of the Listing Particulars of the Company may be obtained during usual business hours (excluding Saturdays and Bank Holidays) up to and including 9th August, 1989 from the Company Announcements Office, The Stock Exchange, 46–50 Finsbury Square, London EC2A 1DD and up to and including 21st August, 1989, from:

7th August, 1989

Knobs & Knockers plc

Hathaway House 7d Woodfield Road

London W9 2EA

James Capel & Co. Limited

James Capel House

London EC3A 7JQ

INTERNATIONAL CAPITAL MARKETS

EUROCREDITS

Magnet buy-out finance hits snag

management buy-out are behind target in their efforts to syndicate the loans to other banks. A meeting of underwriters is expected to be held later this week as the original lenders are finding it tough to reduce their exposure to the company to the levels origi-

nally planned. Underwriters said they had only expected to syndicate about half their exposure, thus retaining a large chunk of the high-yield asset for themselves. Japanese banks are said to remain keen to participate, so in the end the lenders may not be forced to hold any more debt than they want:

Magnet's financing became the subject of intense specula-tion last week, bankers say, following news that MFI, the furniture retailer, was having difficulty meeting sales targets spelled out in its own agreements with lenders. MFI, in November 1987, completed the UK's largest leveraged buy-out valued at £718m.

Manufacture of the second of t

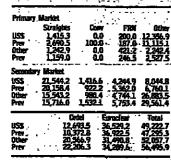
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While no one has suggested that Magnet is having difficulty meeting sales or profits targets, bankers have raced to compare the two deals because of the roughly similar business niches they both occupy and the sensitivity of both to rising interest rates and slower con-sumer spending.

Magnet's financing consists of a 2300m senior debt tranche paying 1% per cent above Libor, a £72.5m bridge facility, £160m in senior subordinated debt carrying a margin of 31/2 per cent over Libor and a £30m junior subordinated term loan

> EUROMARKET TURNOVER (\$m)



THE underwriters of Magnet's paying 4% per cent above £532m debt financing for its Libor.

At a presentation two weeks ago, sponsored by Magnet and by Bankers Trust, the buy-out team's adviser and chief lender, the company assured potential lenders that it would meet sales and profits targets called for in the company's business plan.

Other potential lenders have been questioning whether Magnet's growth estimates - prepared much earlier this year were perhaps too optimistic for current economic conditions. According to Magnet's business plan, it needs to achieve

annual profit growth of 15 per cent in order to meet the current repayment schedule on its senior debt alone. It will have total interest costs in the ninemonth period to March 31 1990 of about £53m, assuming full drawdown of the £490m long-term facilities and accrual of interest under those facilities, as well as some principal repayments to be met. The first of the latter, £10m, is due on September 30 1989. In defending the financing, bankers point out that Magnet

achieved 26 per cent profit growth in the year to April 1 1989 and 30 per cent profit growth in the year before that. Still, bankers point out that one drawback to the Magnet deal is that it calls upon bor rowed funds to finance a significant rate of expansion in addition to simply paying for the buy-out. If the expansion does not produce the expected results quickly enough, the deal could run into trouble. The number of high street out-lets is expected to quadruple

by March 31 1992 to more than

200 from the current 52, possi-

bly too ambitious. However, for those who have rushed to compare the two companies, it is necessary to note differences between them. While Magnet is largely a kitchens and DIY retailer, MFI specialises in pre-packaged self-assembly furniture. Also, lenders have been quick to point out that Magnet's financ-ing includes £190m in two layers of mezzanine debt and an equity portion, a much larger cushion than is offered to senior lenders in the MFI deal.

Norma Cohen

INTERNATIONAL BONDS

A miniature revolution takes place in French issues

FRANCE had more than its treble last year's volume. fair share of newspaper cover-age in July as the hicentenary of its revolution was celebrated in style. A few privileged citizens, however, noticed that one

subject worthy of attention slipped by almost unnoticed. Despite the celebrations, and the resulting absence of many French investors who preferred to be on the beach, July wit-nessed the sudden expansion of new issue activity on the Euro-French franc market.

Hardly headline stuff, perhaps, but at least a revolution in miniature; syndicate managers and analysis alike believe that the heavy issuance revealed significant developments in the market. The extent of those developments, however, is the subject of intense debate.

Last year, some FFriibn of fixed-rate Euro-issues were launched. Already, 1989 has seen FFr20bn, of which FFr6bn was launched in July. One bank alone, Crédit Commercial de France (CCF) issued nearly de France (CCF), issued nearly FFr3bn of deals in July, inspir-ing its head of new issues to proclaim the market to be in good shape. Syndicate managers think the full-year figure could reach FFr30bn, or nearly

The July issues themselves were small in number, and compared with other international sectors, were still small in size with only the European Investment Bank FFribn 8% per cent six-year issue weighing in at size thats would be considered very liquid in, say, the dollar sector.

Importantly, they coincided with a period of considerable foreign demand for French franc paper from a range of investors not normally interested in the currency. As Mr Antoine Labbé, head of new issues of CCF, said: "For at least a month, there has been a shift in the placement of Euro-French franc bonds. The demand for our FFribn deal for Eurofima, which we launched last Monday, was 90 per cent outside France."

Cynics say this partly reflects the likelihood that much of the paper remains unplaced, but Mr Labbe said there was interest from Germany, Switzerland, the Benehux countries, and, unusually, the Far East. Not surprisingly, several of the recent deals were for German banks, partly to take advantage of German funds' healthy appetite for

French paper.
Syndicate managers were rather coy about the other reason for the deals, a wide window on the swap market which

allowed the banks to borrow in floating-rate US dollars to achieve competitive funding costs of around 30 basis points below Libor. In the past, the market's immaturity made 170 basis points. swaps hard to come by. In addition, some of the Ger-

man borrowers have subsidiaries in France, and are understood to have kept a proportion of their deals in francs. They face an attractive long-term probability that the franc will depreciate against the D-Mark. allowing them to repay the principal cheaply.
Importantly, the recent deals

also came against a background of a good performance by the French government bond market. According to a recent forecast by Warburgs, the French bond market will continue to provide good returns for international investors in the next 12 months.

"Among the European mar-kets, the primary case for France rests on the inflation record against Germany where the differential may reach zero. Growing recognition of the sta-

bility of the franc should, over time, lead to a further decline in the risk premium investors will require for holding French francs," the report said.

There has been a sharp narrowing of the spreads between French government bonds (OATs) and German bunds. from around 210 basis points to

In the middle of the rally, some forecasters advised clients that OATs were becoming expensive compared with bunds, but their switch recommendations went awry when money continued to pour into

Analysts see the 170 level as significant because the spread was similar in May this year and then widened again. This time, they believe the resilience of the French economy and the Government's tight monetary policy and control of inflation will allow the spread gradually to narrow further. Mr Richard Gray of UBS Phillips & Drew says: "On a long-term basis, we are looking at the top of a new trading range." The Warburg researchers agree, saying the bond yield differential might reach

as low as 130 basis points.

The rally also raises ques-

tions about whether the French market has changed, or whether there is merely the appearance of change - a debate worthy of the historical controversy over the nature of

another revolution.

One of the main barriers to the development of the market was the widely-held view that it was driven by domestic investors, in particular a handful of institutions which were accused of effectively controlling issues by extending or withholding demand.

This is a charge often levled against small markets which are maturing. Another good example is the Euro-sterling market, where a battle is still being fought between some issuing houses and leading institutional investors which are accused of trying to dictate terms to the rest of the market. The idea that it was tough for foreigners combined with

the relative weakness of arguments in favour of the French franc to hold the market back. In the last 18 months, however, as foreign interest increased so the market's bad reputation diminished.

According to some analysts. the recent rally has actually set the market back, proving

that the domestic institutions with their buying power still have the primary influence

This is debatable. If new issue volumes of Eurobonds continue to grow, then the forces of competition should gradually reduce the power of the domestic investors.

Again, a comparison with the Euro-sterling sector is relevant. Many UK institutions objected to the terms of a Republic of Italy £400m longdated deal when it was launched in April by Credit Suisse First Boston.

By the same token, the future of the Euro-French franc sector looks good. As the yields demanded by the marke for issues in, for example, the dollar and sterling sectors become prohibitive to many borrowers, competing sectors like francs are set to expand. In addition, Euromarket bor-

attractive on both financial and publicity grounds for larger French corporations looking to boost their international profiles as European markets move inexorably towards integration.

Andrew Freeman

						NEW INTE	RNATIO	NAL BOND ISSUI	ES						
Borrowers US DOLLARS	Amount IR.	Meturity	Av. life years	Coupon %	Price	Book runner	Offer yield %	Borrowers SWISS FRANCS	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yiel
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Nisshin Steele(c)	200 70	1993	4	(44)	100	Yamalchi Int.	*	Tasaki Shiniu Co. * **	80	1994	-	21/2	100	Banca del Gottardo	0.50 2.87
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Sprint 7† 🗣 .	20	1993	4	(e)	100.12	Fuji Int. Finance	-					-	•		
Bank of ireland ◆◆(f)	300	Undated	-	50bp	100	Salomon Bros. Int.	-	FRENCH FRANCS							
Nippon Sanso KK∳	490	1993	4	(414)	100	Yamaichi int.(Eur.)	*	Eurofima •	1bn	1999	10	85	101 %	CCF	8.34
BASF Finance	300	1996	7	8	993,	Deutsche Bk.Cap.Mkts	8.048	Bayerische Vereinsbank●	500	1996	7	85 85	101.50	CCF	8.33
BP Capital BV♠(j)	25	1990	1	13	1013	CSFB .	11.057	Norsk Hydro AS (s)	300	1995	6	834	101 ⁵ 8	Paribas Cap.Mids.	8.39
lash Ltd. Series I†♠(o)	30	1993	4	15bp	100.10	Sanwa int.	-					-	_		
lash Ltd. Series Jf∳(p)	30	1993 1992	4	15bp	100.10	Sanwa Int.	-	YEN						<u>_</u> _	
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Tokyu Car Corp.#	130	1993	4	(438)	100	Yamaichi int.(Eur.)	*	Crediop Finance (n)	Sbn	1992	3	8	101 ⁵ 8	New Japan Secs.	7.37
CANADIAN DOLLARS						- •		Skopbank (n)	3bn	1990	1	7	100%	Nippon Credit Int.	6.07
GMAC Canada◆	100	1995	6	10	1013	Scotia McLeod	9.659	STERLING							
Electricite de France	150	1999	10	934	101.60	Paribas Cap.Mkts.	9.495	· -							
Merrill Lynch & Co.◆	150 75	1991	2	11	101.80	Merrill Lynch Int.	9.963	World Bank ♦	100	1994	5	10%	101.17	S.G.Warburg Secs.	10.5
•			-			months agreement		♦Final terms. With equity warr	ents. (Conve	rtible. 4 Vari	able rate no	ta. †Floating	rate note.	AAPrivate placement. s)indi	cated yield to
D-MARKS								oFinal terms. 4With equity warr 4,039%. b)European tranche. c)As 3-month Libor. Alternative coupon h)Yeld to put 3,673%. i)Yeld to p warrants. A exercisable for 3 yes	ian tranche.	d)20bp over 6	month Libo	r. e)5-month L	Bor + 0.10	15%. Re-packaged ex-warrant; and from \$200m to \$200m all?	s FRN. 1350bp of
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INTERNATIONAL CAPITAL MARKETS

Jobs data aid shift in perception

WHAT IS the difference between stagilation and a "soft landing"? Wall Street began to answer this conundrum on Friday. The difference seemed to be 25 basis points on interest rates, three yen on the dollar and a few billion dollars out of the pockets of bullish bond investors all over the world.

But that was just the first, admittedly not very amusing. answer. In the months and years ahead, the wags on Wall Street will have plenty of opportunities to come up with something wittier, though pos-sibly far more expensive for

holders of long-term bonds.

This is because the real significance of the July employment release that wrought such destruction in the bond market on Friday lay not in its fairly unsurprising numbers. The increase of 169,000 in July's payroll employment was essentially indistinguishable from the Wall Street consensus

estimate of 158,000. The 6.1 per

cent decline in unemployment

was a statistical irrelevance due solely to a smaller estimated workforce.
The "bad news" which bond analysts initially pounced on was the upward revision of June's employment growth from 180,000 to 250,000, but this was the third such revision in three months and therefore hardly a bolt from the blue. The numbers on working hours and average wages, which deserve far more attention than the headline employ-

ment figures, were somewhat disquieting, but even these were entirely consistent with recent trends, as discussed Why then the 2½ point plunge in the Treasury's long bond, which erased in a few minutes all of the gains of the previous month and which may have re-established the 8 per cent yield level on the long bond as a significant technical

barrier? Perhaps the Labour Department's announcement was one of those unpredictable watershed events which suddenly make investors stand back and question the fundamental assumptions which have driven a market trend that has

gone too far. The last such turning point was Mikhail Gorbachev's unexpected announcement of big unilateral arms reductions at the UN General Assembly last November. The bond market.

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which had been falling without an obvious floor in sight, stopped in its tracks and then surged inexplicably by more than two points.
The so-called "Gorby rally"

was ridiculed by serious com-mentators (ourselves included) as having absolutely no foun-dation in economic realities. And yet the Gorby raily turned out to be the start of the biggest bond market advance in three years.

in retrospect, the Gorby rally generated what used to be described by pop psychologists as a "gestalt shift." Reality did not change, but suddenly investors realised that the pattern of information before them could be seen in an entirely different way. What previously appeared to be a bat suddenly looked like a pair of

rabbit's ears.
Until the Gorby rally, the markets had seen a feeble new administration led by a president without much public sup-port and certainly with no clear mandate either to carry on the policies of Ronald Reagan or to correct the ones which had gone wrong. Suddenly it became apparent that a pragmatic president without ideological predispositions was just what the historical moment required.

Even on the economic front, the problems and challenges left behind by Ronald Reagan suddenly began to look less alarming than they had even a month before. Perhaps President Bush was right after all to assume that the budget and trade deficits would take care of themselves.

To say precisely how the problems might be solved no longer seemed to be necessary. Perhaps a new detente with sians would slash military spending. Perhaps faster growth in Europe and Japan would help to correct the trade imbalance, or maybe another collapse of Opec would cut imports and provide a painless opportunity to raise taxes. One way or another, something would turn up.

This latter-day Micawberism allowed the US fixed-interest markets to rise spectacularly in the past eight months, despite a steady flow of eco-nomic news — particularly on inflation — that might have been the stuff of bond investors' nightmares.

complacency may be coming to and able to prevent the econ-

an end. For behind the opti-mism of the bull market in bonds there has been a percep-tion of just the kind that might he susceptible to a sudden shift

This is the idea that the Federal Reserve Board will steer the economy into a "soft landing" which will be character-ised by moderate inflation, subdued growth and gradual reductions in financial imbal-

July's employment figures and the bond market's reaction to them on Friday did not discredit this proposition, but they did present it in a new light.

The figures did not suggest

any kind of economic boom or a return to the alarming infla-tion experienced earlier this year. In fact, they were per-fectly consistent with the "soft landing" scenario as it was originally understood.

The rate of job growth, which has averaged 209,000 per month in the past three months was almost identical.

to the three months before that and suggested that the slow but steady economic growth of the first two quarters of 1989 was carrying on into the third. The average workweek, too, was exactly unchanged on a three-month moving average basis and the rising number of aggregate weekly hours

months, was almost identical

gentle growth of the economy and total employment. if these figures so disap-pointed investors, the clear implication was that last week's bond prices reflected the anticipation of something other than a soft landing.

worked simply reflected the

But, amid all the talk of soft landings, what else did the market expect? Two possible answers suggest themselves. In recent months, a small but influential group of ana-lysts has started forecasting an all-out recession. Led by the hard-core monetarists who are convinced that a recession is inevitable because of the slow growth of the money supply over the past 18 months, this group believes that the Fed's recent easing moves have come too late.

For them, July's employment figures must obviously have been a disappointment. These monetarists and their allies, however, are a minority. Most bond investors still feel Just possibly, this period of that the Fed is both willing

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omy from crash landing in a full-scale recession.

Why then are they disappointed by figures like last Friday's, which suggest that the Fed has calibrated its monetary policy with remarkable precision to ensure a slow but steady economic expansion?

The most convincing expla-

The most convincing explanation lies in the data on wages and inflation. Friday's employment report showed that the transfer or the transfer of the transfer o that average hourly wages jumped by 0.8 per cent, or 10.4 per cent at an annual rate, in the month of July.

As usual, the picture is greatly exaggerated by annualising a single month's figures. Comparing the last three month's wages with the previ-ous three months shows wage inflation running at a much more subdued 3.4 per cent annually.

The fact remains, however,

that wage gains are not decelerating, whether measured as three-month, six-month or annual moving averages. Meanwhile, the increases in total compensation (including medical and other benefits) and unit labour costs, continue to outrun wages by about 2 per cent annually, and no let up in sight.
To a detached observer, this

fairly rapid growth in labour costs is hardly surprising, given the low level of unemployment at present and the poor productivity growth record of the US economy. Indeed, the much-vaunted soft landing looks like a rerun of the stagflation of the mid-1970s

Admittedly, the combination of stagnation and inflation which is now in prospect for the US economy seems relatively benign compared with the experiences of the last decade. Maintaining both unemployment and inflation at around 5 per cent for as long as possible seems a perfectly creditable goal for the Bush Administration and the Fed – and US official spokesmen can hardly be faulted for favouring the term "soft landing" rather than that ugly word "stagflation" to describe their policies.

However, for the investor who holds a bond yielding 8 per cent when money is losing per cent of its value annually, the gestalt shift from soft landing to stagilation could be

Anatole Kaletsky

UK GILTS

Unexpected impact from sterling

THE UK gilts market was reminded last week that, despite optimism about the UK economy, it remains vulnerable to sterling movements.

ble to sterling movements.

What appeared to be an upward trend in gilts prices had changed direction by Friday as sterling came under downward pressure, ending down four pfennigs from the close a week before. For foreign investors at least, the relatively high sight gide on offer had tively high yields on offer had lost some of their shine.

Yet the upward momentum does not seem to have disap-peared completely. Market analysts are confident that declines in US Treasury bond yields will continue to provide international support for UK gilt prices. Gloom about the outlook for the UK economy has eased slightly in recent weeks amid some encouraging economic statistics.
At the same time the

pound's_slide puzzled commentators. There were some large sterling selling orders reported from Europe. But biggest influ-ences seemed to be, first, inaccurate rumours that the Bank of England was selling pounds and, second, uncertainty about the currency implications of large provisions for third world debt by UK clearing banks. The political environment in

the run-up to the general elec-tion is increasingly likely to become an issue in the next year or so.
Nobody in the gilts market is worrying yet about whether Mrs Thatcher can be returned

UK gifts yields Aug 4,1989 10.0

10 years 20

roo: Warburg Ser to power for a fourth term. Nor have the rumpus surrounding last mouth's Cabinet reshuffle or Labour's lead in opinion polls done more than jolt the market. But the side-effects of these knocks to the Government may soon start to feed through into areas of direct relevance to the gilts market. Besides the impression on sterling, there could be impli-

Jul 28,1989

sterling, there could be impli-cations for the rate at which Government debt is repaid. Mr Norman Lamont, chief secre-tary to the Treasury, has a tough job in matching the bud-get-trimming prowess of his predecessor. Mr John Major. This year slower growth will curb revenues while pressure for increased spending by departmental ministers will be greater than ever. greater than ever.

So far forecasts for the 1989-90 financial year public sector debt repayments have been adjusted only a little lower, mainly in line with downward revisions to projec-tions of economic growth. Greenwell Montagu and Hoare Greenwall Montagu and Hoare Govett at £18bn and £18bn rospectively have not changed since April. Warburgs has lowered its forecast from £14.4bn in April to about £18bn.

There are other areas of political uncertainty. Mr Nigel Lawson, the Chancellor, is still in office but it is unclear how.

in office but it is unclear how Mr Major's appointment as foreign secretary leaves Cabinet disputes about the timing of Britain's taking full membership of the European Monetary.

Of course upsets for the Government are not bad news for all market participants. With the market in decline and turnover weak, a Labour Govern-ment offers a way out. "The gilt market would be de-lighted," said one analyst last

Funding policy

CLOSELY linked to specula-tion about the size of this year's public sector debt repayments is the funding debate. With broad money continuing to grow at a annual rate approaching 20 per cent, some analysts are arguing for a return to a policy of "overfund-ing" — whereby the Governing" - whereby the Govern-ment buys back fewer gilts than needed to match the amount of debt it is repaying. Mr Tim Congdon, in Gerrard

& National's August econom review, argues that funding policy is an effective means of influencing bank deposits and can be used to reinforce an anti-inflationary monetary pol-icy. He says the Government decision to end overfunding in 1985 was "causally relevant" to the subsequent boom in eco-nomic activity and the rise in

inflation. Overfunding, it can be argued, would reise long-term interest rates, which through-out the past two years have remained stable despite rises in short-term rates. This might in turn have a constraining

growth. However, a note accompanying Oxford Economic Forecast ing's outlook for the UK econsuggests any effects would be small.

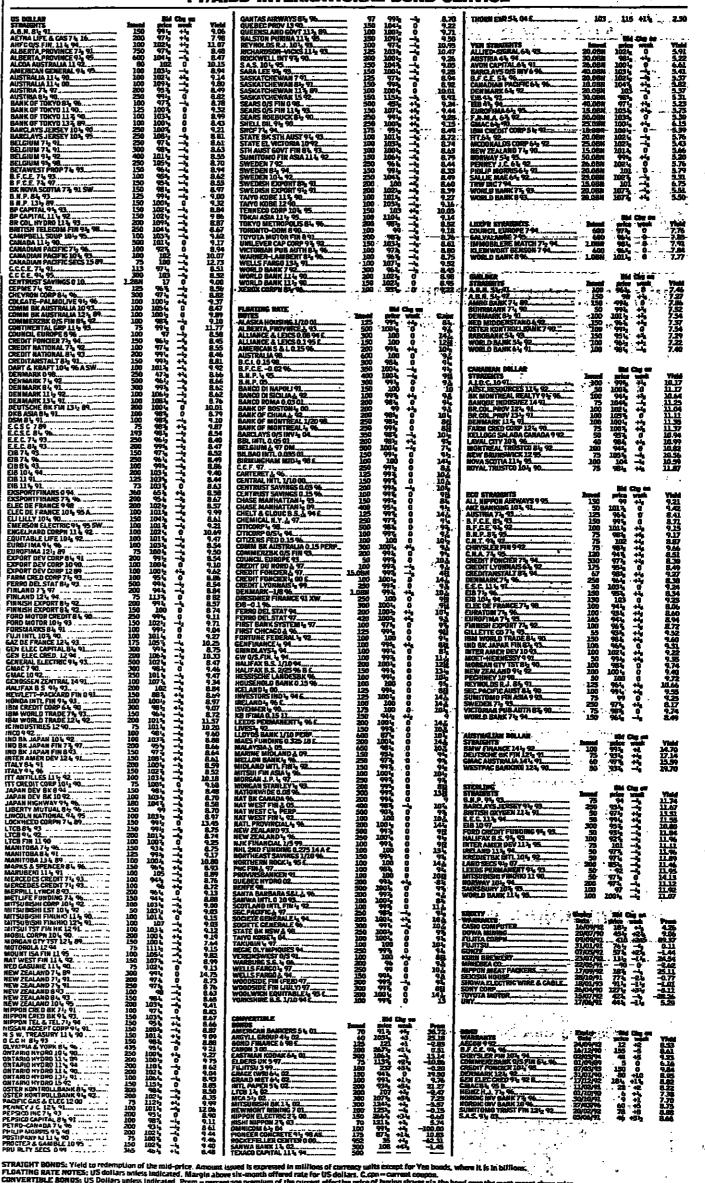
small.

By re-estimating a variation on its equation for long-term interest rates, OEF finds that the share of Government debt in non-bank private sector wealth can positively influence long-term interest rates and that overfunding would push rates higher. rates higher.

But even if money market salstance returned to the 1985 level, long-term interest rates would rise by only about 0.5 percentage points, the calculations show. Very large volumes of overfunding would therefore be required to produce a sharp rise in rates. rise in rates

Ralph Atkins

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INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Banks organise standby finance deal for Mexico

By Stephen Fidler and Richard Johns

A GROUP OF commercial bank If prices exceed that the extra tenders to Mexico is attempting to put together \$490m to \$500m standby financing to provide financial support in the case of a fall in the oil price.

The financing would be tall.

The financing would be vol- barrel. The financing would be voluntary, tied to commercial interest rates and also probably include an element of World Bank co-financing.

The credit, which would become available if oil prices ago. While this has exhausted drop below \$10 a barrel, would be considered from the debt to resources under contingency

be separate from the debt reduction agreement between Mexico and all its bank creditors, the basic points of which were agreed with the 15 leading creditors last month.

Bankers are describing it as leading banks provides banks a "club deal," meaning it with a so-called recapture

The state of the s

ikulph Alij

would be provided by a relactively small group of banks, but exact details have not been in the event of higher infla-The financing is meant to be

part of a programme which the amount to be recaptured in cushions Mexico from the essence sets a \$14 base price effects of oil price fluctuations. The International Monetary and the average daily export Fund has based its calculations on an oil price of \$12 a barrel. barrels per day.

Losses continue at Pan Am parent

in New York

PAN AM Corp, the parent of struggling Pan American World Airways, reported another quarter of net losses, revealing that the group is still far from a long-awaited financial turnament. inancial turnround.

Pan Am's net loss for the second quarter of 1989 was \$7.7m or 5 cents a share against a loss of \$5m or 4 cents a year earlier. Operating

The 1989 loss includes a gain of \$92.1m on the sale of the contract services subsidiary and expenses of \$28.2m associated with the company's hid for NWA bid for NWA.

In contrast, revenues of the Pan Am Shuttle and Pan Am Express, a commuter airline, The company attributed the

airline's recent losses to the aftermath of the Lockerbie crash and to a decline in Pan Am's traffic on its internal German services because of new competition.

Pan Am has cut fares in an attempt to lure back passen-gers who had defected to other carriers after the Lockerbie bomb disaster. Revenue pas-senger yields for the quarter fell 8 per cent. Traffic increased by 2 per cent. Mr Thomas Plaskett, chairnan and chief executive, said:

For the first half. Pan Am Corporation reported a net loss of \$158.8m against a loss of \$88.4m the previous year. Operating revenues fell 3 per cent to \$1.64bn while operating expenses rose 5 per cent to \$1.82bn. The operating loss for

Prime accepts reduced bid price

By Anatole Kaletsky in New York

PRIME COMPUTER, the Massachusetts minicomputer group which has spent most of the last year fighting a \$1.1bn bid from MAI Basic Four, a smaller computer company, suffered a further setback on

Friday. J.H. Whitney, the leading venture capital firm which had agreed to a white knight leveraged buy-out to rescue Prime from MAI's advances, said it was reducing its \$21.50-a-share cash offer to \$20. The price reduction followed

Whitney's inability to arrange financing for the higher offer after Prime announced poor second-quarter results at the

end of July.

Mr David Dunn, Prime's chairman, said he was disappointed by Whitney's failure to

By Chris Sherwell in Sydney

AFP, the Australian-owned

investment group which con-trols Gestetner in the UK, has pulled off a minor coup by win-ning effective control of three

Australian companies which are part of Chase Corporation, the troubled New Zealand

The three are Hanimex.

which operates a photographic

equipment distribution busi-

ness; Reil, an investment com-pany; and Wormald, the fire

safety equipment group. The acquisitions are all the result of Chase's deepening financial

In separate events last week:

Chase's bankers succumbed

to an AFP ultimatum to accept

its A\$2 per share offer for Han-

imex by Friday. The offer,

difficulties.

complete the original \$21.50-ashare merger agreement, but added that the board was recommending acceptance of the reduced offer because it was still superior to the \$19.50 offered by MAI Basic Four.

Whitney officials said they were withdrawing the original offer under pressure from the firm's lead bankers, Benk of Boston and Chemical Bank. The banks had concluded after Prime's second-quarter results that it might not have sufficient cash flow in the short term to support the financing required for the full \$21.50 offer, which would be worth about \$1.2bn in all.

Prime's second-quarter report revealed a 5 per cent decline in revenues and a net loss of \$19m, compared with a

valuing Hanimex at around A\$150m (US\$115.3m), was made through a joint venture between AFP and Gestetner, and AFP plans to bring the

Gestetner and Hanimex net-

• AFP revised its plans for

Reil, in which Chase held a stake of around 69 per cent, by making a direct bid of A\$2.50 per share which quickly secured acceptances from Chase's bankers. AFP also havelet shares in the maket to

bought shares in the market to give it an estimated 75 per cent of the company and, in turn, 43

per cent of Wormald, Reil's

AFP is listed in Australia,

but registered in the UK and

based in Monaco. Its latest moves came in the wake of

works together.

AFP wins control of three Chase units

profit of \$7.2m a year ago. Prime, which in the early 1980s was one of the most successful of the new generation of US high technology companies, enjoying revenue growth of 100 per cent annually for several years running, said the loss was caused primarily by \$27.3m in non-recurring

burse Whitney for its financing and legal costs. Last year Prime paid \$58.2m in special charges, mostly connected with its defences against MAI In addition to the one-time charges, Prime said its second-quarter revenues were badly

affected by order deferrals

another significant develop-ment, the unwinding of Petitio,

man Fielder Wattie, the Australasian food giant.

shares in Elders IXL, and these are being offered to Elders

shareholders at A\$3 a share.

The offer is underwritten by Harlin, a vehicle controlled by

Elders directors, and will clearly replenish AFP's cash

that Wormald would remain a listed company, but one in which AFP had a minority but

controlling shareholding. It

would continue to be run by

Mr Bob Mansfield, chief of Reil.

Hanimex, on the other hand,

would become a wholly-owned

AFP said at the weekend

Petitio's main asset is 318m

Ironically, the largest ele-ment in the charges was an expense item of \$20m to reim-

charges relating to the com-pany's battle for independence.

among customers and staff resulting from the two compet-ing tender offers from Whitney and MAI Basic Four. Prime also said its revenues

caused by the uncertainty

would have been \$11m higher and its operating profits \$2m to \$4m better had it not been for the rise in the dollar during the second quarter compared with the first quarter.

According to several analysts on Wall Street, the banks refusal to finance the full \$1.2bn offer Whitney originally made for Prime reflected not only these temporary factors but also more fundamental concerns about the worsening prospects for the increasingly competitive US computer industry in the years ahead.

subsidiary of Gestetner but

wings and at a value signifi-cantly less than recent esti-

mates have suggested. Reports

yesterday said that the group's

formal response to the AFP

offer, due out this week, would

put a value of up to A\$2.25 a

share. Also due out this week are Hanimex's results.

Chase, still 20 per cent-owned by AFP, is a pale shadow of its former self when

it was run by Mr Colin Reyn-

olds, the entrepreneur. Its

property interests in New Zea-

land are now being run by stat-

photographics business.

would remain a stand-alone

Battle for **Steinberg** moves to the courts

By Robert Gibbens

THE contest for control of Steinberg, the Canadian food distribution and property group, has moved to the

Oxdon Investments, the Toronto bidder led by Unicorp Canada, has asked the Quebec Superior Court to declare invalid a rival offer by the Caisse de Depot and Socanav.

Both groups have bid more than C\$1.3bn (US\$1.11bn) for all Steinberg's voting and non-voting stock. Oxdon is offering \$75 per voting share and \$53 per non-voting share and the Caisse-Socanav \$75 and \$51 respectively, but Caisse claims cised an option to buy 52 per cent of the voting shares from the Steinberg family.

Cetus \$14.3m in loss

Control of Hanimex was secured despite suggestions that other bidders were in the CETUS, the California biotechnology company, has reported increased fourth-quarter losses of \$14.3m against \$9.37m a year earlier, boosting the loss for the year ended June 30 to \$49.9m from a deficit of \$22.6m a year earlier, AP-DJ reports.

The company said the increased loss in 1989 was due principally to the decrease in research and development funding from Cetus Healthcare Partnership II and increased spending to build the sales, marketing and manufacturing infrastructure to launch the company's first proprietary pharmaceutical product, Proleukin interleukin:2.

Sun and Philips link

SUN Microsystems, the US workstation company, will announce tomorrow a manu-facturing agreement with Phil-ips of the Netherlands for semiconductors, Reuter reports.

Analysts said Philips would make chips based on the Sparc technology it will license from

Sun said the two companies had plans for "32-bit deriva-tives for a variety of applications," probably for consumer

By Karen Zagor

losses were \$49.6m against profits of \$14.9m the previous year. Revenues fell 2 per cent to \$909.4m from \$925.4m.

The airline unit's second quarter net loss was \$93.4m compared with a loss of \$19.9m a year earlier. Revenues fell 5 per cent to \$824.5m from \$869.1m, while operating expenses increased 3 per cent to \$891.2m from \$862.7m. In contrast, revenues of the

rose 48 per cent to \$83.2m from \$56.3m.

"We are determined to stay on course with our efforts to restore Pan Am's competitive position despite these unfortu-nate setbacks."

the period was \$178.3m from a loss of \$49.2m a year earlier.

Grupo Torras surges 82% to Pta8.95bn

By Our Financial Staff

GRUPO TORRAS, the Spanish industrial holding company in which the Kuwait Industrial Office has a 40 per cent stake, has reported an 82 per cent rise in consolidated pre-tax profits to Pta8.95hn (\$76.1m) for the first half of 1989 from Pta4.91bn

a year earlier.

The group, formerly known as Torras Hostench, recorded sales for the same period of Pta231.1bn, comprising Pta171bn from its chemicals

side, Pta34.3bn from paper activities and Pta25.8bn from its food business. Earnings per share increased 36 per cent to Pta91 from Pta67 last year.

Mr Javier de la Rosa, vice chairman, said all areas of the company had reached their performance targets. He said the programme of disposals on the chemicals side was pro-ceeding successfully. In June, Torras sold a 3 per

cent stake in Ercros, its chemi-

NEW ISSUE

cals and fertilizer division, to Banco Hispano Americano. It has also sold Doctor Andreu, a pharmaceutical company, to Hoffmann-La Roche, the Swiss chemicals group, for Ptag.4bn.

Mr de la Rosa said: "Each of our subsidiaries is now in advanced negotiations with major European counterparts which are expected to result in significant strategic purchases and sales of partial or controlling stakes to the benefit of our

Mr de La Rosa said in June that the group could cut by half both its 100 per cent stake in Torraspapel, its paper sub-sidiary, and its 40 per cent holding in Ercros while building up Ebro, its 51 per cent owned food division.

shareholders."

Ebro's pre-tax earnings for the year ended April 30 increased 60 per cent to Pta12.3bn from Pta7.69bn.

to resources under contingency

arrangements, it is possible that in the future further fin-

tion-adjusted oil prices.
The complicated formula for

volume, with a base of 1.25m

Yield

Last Week

149.93

148.14

US MONEY MARKET RATES (%)

US BOND PRICES AND YIELDS (%)

Money supply: In the week ended July 24 M1 fell \$1,35n to \$776,25n.

NRI TOKYO BOND INDEX

149.88

5.06

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Lang & Cruickshank, Piercy House, 7 Copthall Avenue, London EC2R 7BE

Copies of the listing particulars are also available from the Company Announcements Office,
The International Stock Exchange, 46 Finsbury Square; London EC2A 1DD, up to and
including 9th August, 1989.

7th August, 1989

IRELAND US\$100,000,000

Private Placement Issue Floating Rate Notes 1997/2000

(Coupon No. 9)

Pursuant to Note conditions, notice is hereby given that for the interest period 7th August 1989 to 6th February 1990 (183 days), an interest rate of 87/16 per cent, per annum,

Amount per coupon (No. 9) = US\$42,890.63 Payable on the 6th February 1990 Reference/Agent Bank



THE LONG-TERM CREDIT BANK OF JAPAN, LTD.

BANQUE ARABE ET INTERNATIONALE D'INVESTISSEMENT (B.A.L.L) USD 100 MILLIONS FRN

Notice is hereby given that the rate of interest for the period from August 7th, 1989 to Febru-ary 7th, 1990 has been fixed at ary /II, 1990 has been intended at \$2.%. The coupon amount due for this period is USD 437,63 per USD 10.000 denomination and USD 4.376,38 per USD 100.000 denomination and is payable on the interest pay-ment date February 7th, 1990.

> The Fiscal Agent Banque Nationale de Paris (Luxembourg) S.A.

ZIMBABWE

The Financial Times proposes to publish this survey

21st AUGUST 1989

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FINANCIAL TIMES

July, 1989



Mitsubishi Rayon Company, Limited U.S.\$150,000,000

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ISSUE PRICE 100 PER CENT.

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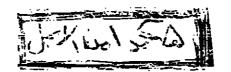
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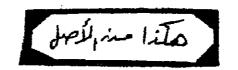
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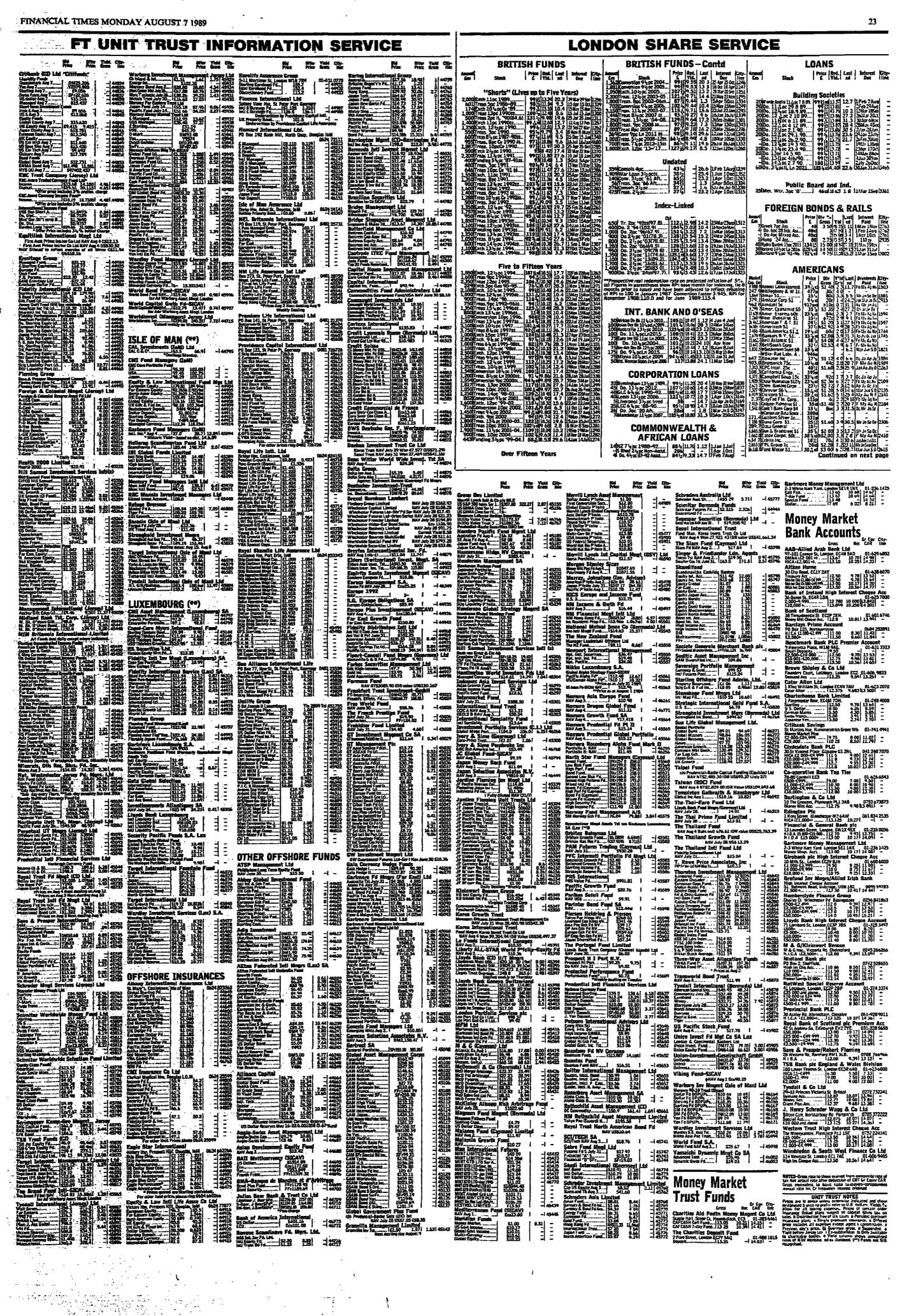
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208.3 | 22.2 | 1.5 | 40770 Earth July 31 | 208.3 | 22.7 | 5.83 | 40625 Earth July 31 | 20.5 | 46.5 | 10.55 | 40627 Earth July 31 | 20.5 | 46.5 | 10.55 | 40627 Earth Lide Charboord | 107.1 | 107.1 | 11.19 | 40683 MAACE July 32 | 46.5 | 46.5 | 11.19 | 40683 MAACE July 32 | 46.5 | 46.5 | 11.19 | 40684 MAACE July 32 | 46.5 | 46.5 | 11.19 | 40683 MAACE July 32 | 46.5 | 2.72.5 | 0.80 | 41.007 Morgan Greatfell Inv Magnatt Ltd | Age | 12.50 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 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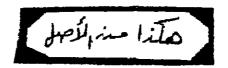
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CURRENCIES, MONEY AND CAPITAL MARKETS

CURRENCIES AND MONEY REVIEW

Clearing out the bad debt exposure

INSIDER TRADING is not something usually associated with the foreign exchange market, but it is obviously a subject that has worried UK clearing banks, and it is a charge which they have no intention of adding to their present prob-

lems.

The "big four" UK clearers,
Barclays, Lloyds, Midland and
National Westminster, have all
just announced sharp falls in
first half profits - in Midland's
case a first-half loss - as a result of provisions for bad debts on third world loans.

The total of debt write-offs is an estimated £2bn. This money was lent in dollars, and to cover their exchange exposure the banks have sold sterling and bought US currency. Most of this operation took place last week and the amount involved was enough to hit an already fragile sterling. Sterling was already looking

certain on rumours that the UK authorities wished to cap it below DM3.12 and that the

£ IN NEW YORK

STERLING INDEX

1.6364-1.6374 0.72-0.70pm 2.12-2.10pm 7.40-7.30pm

EURO-CURRENCY

Bank of England was selling the pound to this purpose. It was an erroneous suggestion and rather a foolish one, since keeping sterling down would simply import inflation and do nothing to encourage a reduc-tion in the retail price index.

The Bank of England quashed these rumours with some very obvious interven-tion on Thursday to buy the pound. It was a well publicised move in the market and was meant to show that that the central bank had not been a seller of the currency. This put a floor under sterling and held it above a support point of

There is now reasonable confidence in the City that the worst is over and every prospect that the pound will rally towards DM3.10. Confidence has been boosted by the fact that meet of the covering of that most of the covering of the UK clearers debt write-offs should now be complete. The pound was on the sidelines on Friday, moving in a narrow

CURRENCY RATES

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range and showing no sign of suffering from any large sell-

ing orders.
Where does insider trading fit into this scenario? Firstly, it may be worth looking into the reason why these debts need physical covering and cannot simply be written off as a book transaction. The banks involved in lending to third involved in lending to third world borrowers went into the wholesale market and borrowed dollars. Many loans have not yet reached maturity and may not do so for several

For the remaining period of the loan the UK banks are sitting on a potentially open-ended exchange loss. Prudence suggests that it would be wise to buy dollars now and end this exposure at a loss which can be calculated and

written off to reserves.
Of course the banks knew of their exposure and the need to make the write-offs a long time before the half-year figures were published. In that case,

one could reasonably ask, why did they not sell sterling over a longer period rather than all pile into the market together and see sterling react like a punctured tire?

Selling slowly over a long period would have put less downward pressure on the pound and would also have enabled the banks to obtain a higher rate for the currency and cut back on some of their

The answer must surely be a fear of being accused of using information known only to themselves, in other words, insider trading. Such an charge is a nightmare that the clearers could not countenance, par-ticularly at a time when the City remains sensitive on the subject and NatWest in partic-ular is still smarting from the impact of the Blue Arrow affair and the resignation of several of its directors.

Colin Millham

OTHER CURRENCIES	OTHER	CURRENCIES
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MONEY MARKETS

Reversed curve flattens as rates look set to hold

To the Holders of Warrants to subscribe for shares of

common stock of

MR MAX CORPORATION

(the "Company")
(Issued in conjunction with an issue by the Company of

US\$40,000,000

Subscription Price

Pursuant to Clause 4(A) and (B) of the instrument dated 11th August, 1988 under which the above described Warrants were issued, notice is hereby given that on 3rd July, 1989 the Board of Directors of the "Company" resolved a free distribution of shares of

common stock of the "Company" at the rate of 0.1 share for each one share to its shareholders of record as of 20th August, 1989. As a result of such distribution, the Subscription Price at which

shares are issuable upon exercise of the Warrants will be adjusted in accordance with Clause 3 of the Instrument from Yen 2,050 to

MR MAX CORPORATION By: The Toyo Trust Banking Co., Limited, as Principal Paying Agent.

THE TOYO TRUST AND BANKING COMPANY. LIMITED 7th August, 1989

Yen 1,836.6 with effect from 21st August, 1989 (Japan time).

3% per cent. Guaranteed Bonds 1992) Notice of Free Distribution of Shares and Adjustr

A FLATTER yield curve the Government and the City developed on the London money market last week. A of wage inflation. weaker pound did not put upward pressure on the shorter end of the market. Three-month interbank - an important guide on UK bank base rates - eased to 13# per cent from 13% per cent, suggesting dealers believe there is

UK clearing bank base leading rate 14 per cent from May 24

reluctance in official circles to The building societies will come under pressure to raise mortgage rates if base rates are not cut later this year; a rise in base rates will almost certainly increase the cost of mortgages. This in itself is not necessarily inflationary, but it would push up the retail price index, encouraging demands for higher wages at a time when

The underlying rate of average earlings in May rose at an annual 9.25 per cent, unchanged for the third consecutive month, but the actual rate was 9.5 per cent, against 9.1 per cent previously. There is concern that that the under-lying rate is lagging behind and that the true rate is already near 10 per cent.

Longer term money rates

have now moved higher, with 12-month interbank firming to 134 per cent from 13% per cent. The gap between three-month and 12-month money narrowed to it per cent, from % per cent, flattening the reversed yield curve.

This indicates that the authorities are reluctant to raise rates, but will be slow to allow a cut with inflation a problem and sterling vulnera-ble to any reduction in its interest rate advantage.

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DOLL	AR SPOT-	FORWAR	D AGAIR	IST .	THE DOL	LAR
Aug 4	Day's spread	Close	One smooth	P.L	Three months	bī Ž
Ki elandi	1 bill5 - 1 bill	1.6145 - 1.6155 1.4065 - 1.4075 1.1065 - 1.4075 2.1395 - 2.1405 37 70 - 39 80 7.374 - 7.374 1.8965 - 1.8975 119.18 - 15.8 85 119.18 - 15.8 85 119.18 - 15.8 85 1.40 - 1.40 85 6.424 - 6.424 6.424 - 6.424 6.424 - 6.47 13.35 - 13.4 45 13.35 - 13.35 8	0 70-0 67cpm 0.14-0.04cpm 0.37-0 40zds 0.28-0.25cpm 2.00-acrops 0.10-0 35creds 0.30-0.27pfpm 45-55cdts 3.50-4 50thradis 1.05-1.30credis 1.05-1.30credis 0.44-0 42cpm 1.70-0.90ccen	509 0.98 1.53 0.37 1.83 0.55 2.55 2.04 9.71 1.7	2.10-2.05pm 0.55-0.45pm 1.03-1.08cts 0.77-0.72pm 3.00-aspm 0.85-1.25ds 0.80-0.75pm 240-270ds 155-1.45ds 155-1.45ds 12.00-11.35ds 4.05-4.35ds 4.70-4.95ds 1.18-1.15pm 4.20-2.10em	5142 359 140 0157 164 657 2452 257 257 354
witzerland . CU	16095 - 1.6385 1.1905 - 1.1045	1.6350 - 1.6360 1 0905 - 1.0915	0.23-0.20cpm 0.05-0.04cpm	1.58 0.49	0.66-0 61cm 0.17-0.14cm	1.56 0.57

mercial rates taken towards the end of London tradi buses and discounts apply to the US dollar and sex is 5 Financial frame 39,75-39,85.	ng.t UK and Ireland are quoted in US corrency Forward to the Individual corrency. Beiglan rate is for convertible
FT LONDON INT	ERBANK FIXING
(11.00 a.m. Aug.4) 3 mgpths US doilars	6 months US Doltars

MO 84	वास्य ४%	PHG 844	- war 84
The fixing rates are the arith	metric means rounded to the o	statest one-sixteentle, of the b	id and offered rates for \$10n
ganted by the market to five Bank, Bank of Tokyo, Dest	ereference banks at 11.00 a.; sche Bank, Basope National	m. each working day. The bar I de Paris and Morgan Geara	45 are National Westminster vity Trust.

MONEY DATES

	P.1	OME	I RAI						
NEW YORK		Treasury Bills and Bonds							
4pm Prime rate 10 to		One mosth Fivo mosth Sir mosth Sir mosth Ine year Ino year		7.50 Three year. 7.9 8.25 Four year 7.9 8.11 Five year 7.9 8.12 Seven year 7.9 8.07 10-year 8.0 7.94 30-year 8.0					
Aug.4	Overnight	One Monstr	Two Months	Three Months	Six Months	Loothard Intervention			
Frankfurt	6.85-6 95 9\(\)-9\(\)-6\(\)-6\(\)-6\(\)-7.31 5\(\)-5.2\(\)-1.2\(\)-7.30 9\(\)-9\(\)-9\(\)-9\(\)	680-6.95 817-9 d 7-7-14 7-12-7-22 514-5-1 12-12-13 811-8 d 9-8-9-4	6.75-6.95 811-9.2 9%-9%	6.75-6.95 883-9-6 63-7-6 7.07-7.17 54-5-3 12-2-13 82-81, 93-10-4	6.75-6.95 811-813 -	7.00 8.75 - - - -			

LONDON MONEY RATES							
Aug.4	Overnight	7 days notice	One Month	Three Months	Six Months	One Year	
Interbank Offer Interbank Bid Interbank Bid Sterling CDs. Local Authority Deps. Local Authority Bonds Discount Mik. Deps. Company Deposits Finance House Deposits Finance House Deposits Finance House Billis (Buy) Bank Billis (Buy) Bank Billis (Buy) Dollar CDs SDR Linked Dep Offer SDR Linked Dep Bid ECU Linked Dep Bid ECU Linked Dep Bid	-	14 134 137 1311	Hilli Hillingsoos	nini , henny 48 - 14 -	11111 - 111 - 1118 11111 - 111 - 1118 11111 - 111 - 1118 11111 - 1118	131 ₂ 133 ₄ 131 ₄ 131 ₄ 131 ₄ 8.38 8.4 8.9	

Treasury Bills (sell); one-month 13.2 per cent; three months 13.5 per cent; Bank Bills (sell); one-month 13.8 per cent, three months 13.1 per cent; Treasury Bills; Average tender rate of discount 13.3002 p. c. ECGD Fived Rate Sterling Export Finance. Make up day July.31, 1989. Agreed rates for period August 26, 1989 to September 25, 1989, Scheme it 14.60 p. Scheme it 3.40 p. c. Scheme

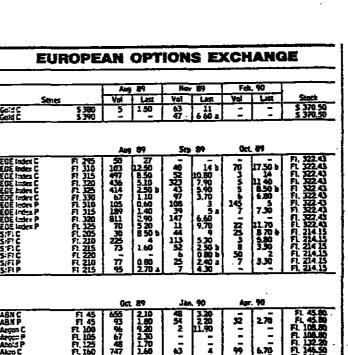
	-				
BANK OF	ENGL	AND TI	REASURY BIL	L TEN	DER
	Aug.	4 July.28	J	Aug.4	July 28
Bills on offer	£1220	m £15-13m m £500m 007 692 08	Top accepted rate of discount. Average rate of discount. Average yield Amount on offer at next tende Minimum accepted bid 182 d	23.3002 23.7564 7 5500m	13 2363
WEEKLY C	HANG	E IN W	ORLD INTER	est Ra	TES
LONDON	Aug.4	change	NEW YORK	Aug.4	change
Base rates 7 day Interhank 3-month Interhank Ireasury Bril Tenser Band I Brills Band 2 Blils Band 3 Brills Band 4 Blils	14 14 13% 133002 13% 13% 13%	Unch'd Unch'd +0 0639 Unch'd Unch'd Unch'd Unch'd	Prime rates Federal Funds 3 Mth Trassury Bills 6 Mth. Trassury Bills 3 Mth CD FRANKFURT Londbard	10 8 2 8.14 8.03 8.60 7.00 6.875	-1 ₂ Unch'd +0 03 +0.09 -0.05
3 Mth Treasony Billi 1 Mth Bank Bills 3 Mth. Bank Bills		Unch d Unch'd Unch'd	One mith. Interbank Three month PARIS	6.925	-0.050 -0 075
TORYO One month Bills Three month Bills	5 <u>0</u>	:5	Intervention Rate	8.75 9 9	Unch'd Unch'd Unch'd
One month	8½ 8½	inch'd -4	Ose month	124 124	Unch'd +½
Ope mosth	7.17 7.12	+0.10 -0.02	Gae month	93, 10	+1 ₀ +1 ₁

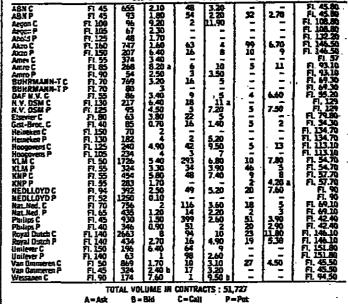
FT-ACTUARIES WORLD INDICES

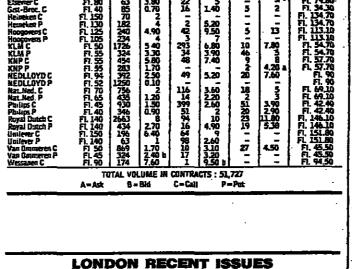
Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatiWest/Wood Mackenzie in conjunction with the institute of Actuaries and the Faculty of Actuaries

NATIONAL AND		FRI	DAY AUG	UST 4 1900			THURSE	THURSDAY AUGUST 3 1965			DOLLAR WOUX		
REGIONAL MARKETS Figures in parentheses show number of stocks per grouping	US Doltar Index	% change since Dec.30 '86	Pound Sterling Index	Local Currency Index	% change. local cur- rency since Dec.30 '68	Gross Div. Yield	US Doller Index	Pound Sterling Index	Comi Currency Index	1040 High	7980 Low	Year ága (aporex) 749 87	
Australia (85)	146.50	+1.4	134,49	127.79	+ 13.5	4,66	147,10	132.74	127 34 130 18	35.49	22.84	60.37	
Austria (19)	135.49	+41.2	124,38	133.59	+ 50.7	1,82	134,30	121,19	138.17	137.97	125.50	113.38	
Belgium (63)	136.11	+0.7	124.95	133.58	+74	4.09	137.99	124.48	125.90	151.95	124.57	~ 123.33	
Canada (124)	151.21	+20.4	138.81	126.92	+ 18.8-	3.10	151.95	157.12 194.72	212.78	219.89	168.35-	- 123.63	
Denmark (36)	212.30	+24.6	194.89	212.95	+ 34.0	1,47	215.79	129.41	126.41	169.16	. 125.E1.	126.26	
Finland (26)	141.58	+8.2	129.95	126,88	+ 11.0	2.15	143.41	119.45	131.29	193.44	112.57	91.96	
France (127)	129.35	+ 12.4	118.75	130.37	+ 19.3	2.91	132.38		95.69	100.53	79.56	74.93	
West Germany (100)	97.90	+11.3	89.68	98.55	+ 19,0	2.17	98,84	69.19 90.95	111.01	140.33	80.41	- 106.80	
Hong Kong (49)	107.91	-3.5	99.07	108.15	-3,5	4.99	110.76	142.52	155.84	189 12	125.00	131.04	
freiand (17)	158.35	+ 18.6	143,54	156.58	+ 26.9	2.66	158.05	85.05	94.62	94.79	74.07	71.95	
Italy (97)	93.91	+ 10,3	85.21	95.79	+ 15.4	2.34	94.25	173.60	166.48	200.11	. 164.22	166.36	
Japan (455)	188,60	- 1.5	173.14	166.19	+9.8	0.48	192.38	171.62	195.07	190.56	143.36	153.50	
Malaysia (36)	167.93	+51.0	172,52	192.95	+28.9	2.49	190, 19	239.33	738.55	277.40	(53.32	166.65	
Mexico (13)	267.00	+ 65.0	245.11	740.02	+82.8	0.68	265.22		124.33	130.67	110.65	106.34	
Netherland (43)	126.86	+14.6	118.30	125.87	+22,5	4,11	129.41	176.78 67,58	66.32	77.11	82.84	- 61.19	
New Zeeland (21)	77,11	+ 14,1	70.79	68.71	+ 20.6	5.42	74.88	183.52	168.49	196,39	139.92	179.67	
Norway (24)	174,95	+ 25,9	160.61	- 164.98	+ 33.3	1.57	181.21	151.26	150.35	160.43	124.57	134 57	
Singapore (26),	165.18	+32.0	151.64	148.00	+32.7	1,91	167.65		139.21	163,27	115.35	115.00	
South Africa (60)	153.09	+31,0	140,54	139,26	+41.B	3.87	153.18	138.21	139.75	168.02	143,14	147.97	
Spain (43)	155.37	+4.7	142.64	140,25	十10.1	3.69	157.57	142.18	176.41	187.77	138.45	118 43	
Sweden (35)	184,16	+27.4	189.06	176.32	+34,5 :	1.95	186,63	168.41	92 47	92.84	67.81	75.86	
Switzerland (64)	91.19	+ 16.8	83.72	92.48	+27.1	2.04	92.84	83.78		168.41 -	153.20	132.55	
United Kingdom (311)	154.90	+14.5	142.20	142,20	+28.2	4.09	156.33	141.07	141.07	141.75	112.15	110.60	
USA (552)	140.02	+23.7	128.54	140.02	+23.7	3.25	140.36	126.67	140.38	1-0			
		1 40 -	445.45	123.88	+23.2	3.31	131.21	118.40	123, 19	132.62	112.63	105.54	
Europe (1005)	129.76	+13.1	118.12		+31.5	1.75	176.17	158.96	152.27	176.36	137.95	112.61	
Nordic (121)	173.29	+24.1	159.08	162.00 162.50	+9.6	0.70	187.54	169.23	162.81	194.72	180.44	163.44	
Pacific Basm (672)	183.96	- 1.3	168.87	146.98	+ 13.7	1.55	165.10	148.98	146.97	165.96	147.56	140.29	
Euro - Pacitic (1677)	162.38	+3.0	149.07	139.34	+23.4	3.24	140.97	127.20	139.67	141.19	112.75	117,18	
North America (676)	140.59	+23,5	129.07		+ 19.3	2.72	115.27	104.01	112.15	116.28	90.30	'85.80	
Europe Ex. UK (694)	113.62	+ 12,0	104.49	112.57	+9.1	4.51	129.53	116.88	T18.96	137.55	111.93	120.27	
Pacific Ex. Japan (217)	128.32	+3.0	117.80	116.45		1.82	164.59	148.52	145.45	166,35	141.49	139.48	
World Ex. US (1874)	161.96	+3.7	148.68	146.52	+ 14.1	1.95	164.72	139.62	144.60	150.66	135.95	-127 60	
World Ex. UK (2115)	152,88	+9.1	140.35	144.49	+ 16.0		154.85	139.74	144.35	155.52	136.67	120.31	
World Ex. So. Al. (2966)	153.05	+9.5	140.50	144.30	+ 17.0	214	137.10	123.71	133.11	137.40	114.51	109.95	
World Ex. Japan (1971)	136.28	+ 18.8	125.11	133.17	+22.9	3.32							
The World Index (2426)	153.05	+9.6	140.50	144.26	+ 17.1	2.15	154.85	139.73	144.32	156.69	136.68	128,23	

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US \$ Index), 90,791 (Pound Starting) and 94.94 (Local). Nordic Dec 30, 1988 = 139.65 (US \$ Index), 114.45 (Pound Sterling) and 123.22 (Local). Copyright, The Financial Times Limited, Goldman, Sachs & Co., and County Nativest Securities Limited, 1987 CONSTITUENT CHANGES: Deletions 3/8/89 Scanwest Ring (Norway) and Coalite Group (UK). Name Change 2/8/89 Pentland Inds to Pentland Group,







FIXED INTEREST STOCKS

RIGHTS OFFERS

victor and the capital 3 Assumed dividend and yield 5 Dividend and yield exclude section of and or capital, white dividend rate, cover based on previous year's consists. It Dividend and yield based on the or dividend cover and an includent cover and a relation section of the capital and yield based on the properties or other official estimates for 1988. It Dividend and yield based on y official estimates in 1989. It official estimates for 1989. It official estimates when the capital estimates are not section of the capital estimates of the capital estimates of the capital estimates. When forms in figures, we know by Leader 4 Official to believe of ordinary to "I alternative three dividend cover and piece that the capital estimates are all the capital estimates. When forms in figures, we know by Leader 4 Official to believe of ordinary to "I alternative three dividend on the programment of the representation of the capital estimates." Yes programment of the capital estimates are all the capital estimates and the capital estimates are all the capital estimates.

Low

102p 99p 105a 1ppm 991 100p £102 107p

73pm 90 71₂ 6pm 10pm 11₂pm 1pm 115

21.0m 230m 150m 21.0m 21.0m

111p 104p 114p 7pem 1001a 103p £1051a 125p 115p

EQUITIES

\$105 \$100 \$100 \$20 \$20 \$20

Isaae Price £

999 I 100p 4100 4420p

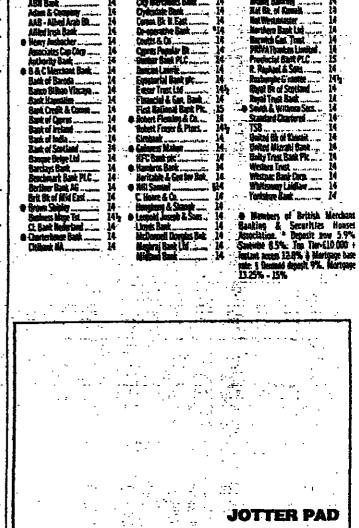
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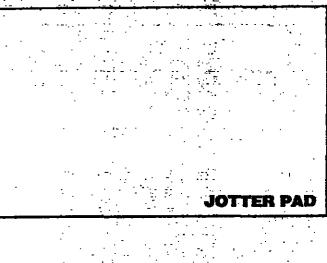


BASE LENDING RATES

Corporative Back

Money Rucking ... Ref Br. of Knowle

Not Westpointer Northern Bank Ltd Narwin Gas, Tonal PRIVATIONAL IN LINES Producted Bank P.C.



j	LON	DO	N RECENT		5U	ES				•				CF	?C)\$	S	W	O	RE)
蛇	196 High	R Law	Sjorts	Clesing Price	+0"	Het Ots.	Times Cov'd	Cross Vide	P.E.				N	lo.7	7,00	5 \$	Set	by	DA	NI	Έ
Ξ	162 91	75	Alabey National 10p	1445	-12	<i>17.7</i> 12.81	27 19	7 12	5.9 17.0 9.5		1		2	Ŀ	3			4	5		6
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:	165		PDanbury Group 100 PDIamond Group Hidgs Sp JEnser Hidgs, 10p Forwell Group 10p	105	_	#5.2 15.06 12.13 3.0 12.8 6.66 RR49.5	19 20 47 31 30 15 28	鳗	91 113 113 113 113 113 113 113 113 113 1			Ŀ	·		<u> </u>	L		3			
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:	器	端	Polar Electronics 10p Presidio Oil "A" 10c	772 773 184	1 .	R4.5 02.5c	27	5.4 0.4	93	11				:		Ŀ		$oldsymbol{ol}}}}}}}}}}}}}}}}}}$			12
:	뱱	装	Radiotrest Richmond OFI & 6as 10p Steepy Kies 5p	110 67 31	1	:	:	Ξ] :		13				<u> </u>		: . 				L
:	120 582 2750	貂	Smith (James) Estates Smithkline Beeckam "A" Do. Beecham/Beckman this	120 582 2725	#2 #2	₩. ₩.	0.9	33	35.5 21.2 19.8		13			<u>. </u>	<u>. </u>		×		15		L
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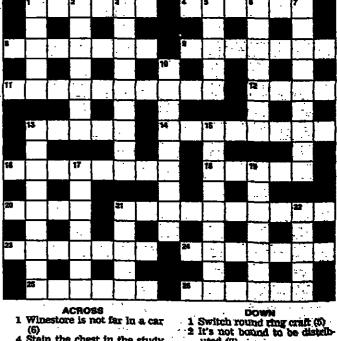
R5,0 1.6 5.7 13

Closing Price £

1116 43 939 4 1119 43

Closing Price p

95em 91 10½ 21em 13em 11em 11em 11em



1 Winestore is not far in a car

(6) 4 Stain the chest in the study

(6) 8 Find made by a hunter (7) 9 Doctor tries new sort of lock (7) 11 Point to one Duke or

another (10)
12 He fell out of sympathy with his partner (4)
13 All for those making notes

13 All for those making notes
(5)
14 Change of plan? (8)
16 Quarter-deck cutters (8)
18 She upsets Diana (5)
20 Ring a girl to come round soon (4)
21 A girl who is tender to domestic animals (6-4)
23 A Gallic disposition is exceptionally cold (7)

exceptionally cold (7)
24 Repel Sid with a return
blow (7)
25 Songbird with little relation

to others (6) 26 Unions strangely in agree-

13 What ngures neat give applay (9)

15 I landed awkwardly on a plant (9)

17 Threatens, to give the employees their cards? (7)

19 Stother takes a long time to get compensation (7)

21 Habit Tommy got into (5)

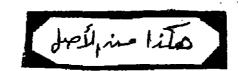
22 Sen is out to be a writer (5) The solution to last Saturday's prize puzzle will be published with names of winners on Sat-

urday August19,

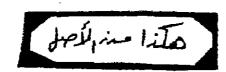
2 It's not bound to be distributed (?)
3 Standing order (9)
6 A grain seen only in oak (5)
6 Unusually hig task carried out by servicemen (3-4)
7 Lost again in sentimental longing for the past (9)
10 Now for a West End gift (2.7)

(2.7) 13 What figures neat girls dis-





RD



WORLD STOCK MARKETS

1		WORLD STO	CK MARKETS	
``	AUSTRIA FRANCE (confisced) GERSKNY (contissed) 1987 High Law Aspect 4 3ch Migh Law Aspect 4 Price 1989 Price 1989 Price 1989 Price 1989	ITALY (continued) SWEDIEN 1989 Price 1989 Price	CANA	DA
os na diamental a consequente de la consequencia de la consequencia de la consequencia de la consequencia de l	2-200 2.100 Assirtan Artilles 2.2710 2.272 Assistan Artilles 2.2710 2.272 2.272 Assistan Artilles 2.2710 2.272	High Law Adjust 4 Lire	TORONTO Closing prices August 4 Gurdsloss is cents unkness markets. 4000 AAACA int 475 400 475+ 5 4020 AAbta N 5174 17 174 500 460 475+ 5 4020 AAbta N 5174 17 174 500 460 475+ 5 4020 AAbta N 5174 17 174 500 460 475+ 5 4020 AAbta N 5184 184 184 184 184 184 184 184 184 184	Sales Stock High Low Glose Chang 3100 Laur Bit 115 115 115 115 115 115 115 115 115 11
· · · · · · · · · · · · · · · · · · ·	\$12.3 \$28.2 \$31.0 \$150.4 \$33.6 \$79.9 \$150.4 \$32.9 \$35.0 \$35.2 \$3	188 119	All	Aug. Aug. Aug. 1989 A 3 2 1 High Low STRALIA Ordansries (1/1/80) 160-16 181-7 771.8 765 1 1670 9 14/80 1412.9 (7/4) Mining (1/1/80) 378 87 370 19 367.18 365.00 378 87 14/80 219.5 (2/1) STRIA Git Abtien (30/12/84) 378 87 370 19 367.18 365.00 378 87 14/80 219.5 (2/1) LGIUM BIMARX Berhagen SE (3/1/83) 351.29 352.20 353 64 352.70 356.65 (12/7) 275.49 (27/2) RLAND RLAND RLAND RLAND RLAND RLAND RLAND RLAND RLAND RANGE C General (31/12/82) 504.7 506.8 505.9 504.9 506.8 (1/8) 417.9 (4/1) ANCE C General (31/12/82) 504.7 506.8 505.9 504.9 506.8 (1/8) 417.9 (4/1) ANCE C General (31/12/82) 504.7 506.8 120.8 120.5 122.4 (28/7) 97.5 (27/2) RLAND R ALIEN (31/12/82) 120.9 120.8 120.8 120.5 122.4 (28/7) 97.5 (27/2) REMANY R Aktien (31/12/83) 1590.30 1590.30 1590.8
- - - - - - - - - - - - - - - - - - -	2.000 1.470 Amsso	1,740	CANADA Aug Aug Aug Aug 1989 1989 1980 1989 1980 19	TH AFRICA Gold (28/9/78)
) 1	7/3 Does Tree was 901 3,160 2,990 Marial 2,990 1,710 1,300 Drient Finance 1,640 1,990 770 Does Winking 901 3,160 2,990 Marial 1,940 1,950 1,170 Does 2,220 1,170 Does 2,200 1,200 Point Finance 1,640 1,200 Drient Finance 1,640 1,200 Drie	1,490 1,130 Warnal	P/ Ste Stock Div.E 180e High Low Close Ching, Stock Div.E 180e High Low Close Ching, Stock	Pl Ch
	2.700 2.150 Dat Hilpson Plaze 2.770	1.970 1.430 Venezina Corp 1.990 1.240 1.220 1.710 Venezina Batter 1.990 1.220 3.730 Ventaneauchi . 1.990 2.220 3.730 Ventaneauchi . 1.990 2.250 1.500 Venezina Frigati 3.750 1.900 1.500 Venezina Frigati 3.250 1.900 1.500 Venezina Frigati 3.250 1.500 1.230 Venezina Frigati 3.250 1.500 1.230 Venezina Frigati 3.250 1.500 1.300 Venezina Batteri 1.710 1.300 788 Venezina Batteri 1.710 1.300 788 Venezina Batteri 1.710 1.300 788 Venezina Batteri 1.710 1.300 788 Venezina Batteri 1.710 1.300 788 Venezina Batteri 1.900 1.600 1.300 Yokindama Bank 1.590 1.600 1.300 Yokindama Bank 1.590 1.600 1.300 Venezina Batteri 1.990 1.600 1.300 Venezina Batteri 1.990 1.600 1.300 Venezina Batteri 1.990 1.600 1.300 Yokindama Bank 1.590 1.600 1.3	BAT 38e 12 6579 137; 139; 139-16-3-16 BAT 38e 12 6579 137; 139; 139-16-3-16 Freedil 27 329 124; 114, 115, 115, 15 BAN 19 63, 65, 65, 65, 15 Bandrg 31 125; 13-14 Bandrg 32 12 125; 13-14 Bandrg 33 12 125; 13-14 Bandrg 34 13 136 30 14, 34, 34, 34, 34, 34, 34, 34, 34, 34, 3	Del gil 80
- 1			3.	·

4pm prices August 4

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

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Two-edged appeal of consumer electronics

or all the excitement generated by the colour television set, the hi-fi and the video recorder when they were first introduced, it takes some imagination nowadays to see them as more than standard living room furniture. Their mundane nature seems appropriately summed up by the generic description

brown goods." Such products are also becoming relatively less important to Japan's electron-ics industry, which once relied on them for its bread and but-ter. Their share of its domestic output has dwindled to a mere 20 per cent as production has been snifted offshore, particularly to south east Asia.

Indeed, Matsushita, Japan's biggest electronics manufac-turer, formally designates consumer electronics a "mature" bus<u>in</u>ess. Like many rivals, it is looking for much of its future growth to more sophisticated products such as office automation and telecommunications systems.

Yet, in the West, the consumer products business is increasingly being exalted as the harbinger of the next revolution in information technology. Philips, Europe's biggest producer, argues that without a strong consumer sector, it will be impossible to survive for long in other mainstream electronics markets.

In the US, most consumer production was abandoned to the Japanese in the 1970s. But American industry lobbyists are today insisting on the vital importance of re-entering the business as part of their campaign to win federal support for ambitious plans to catch up in the development of high-definition television (HDTV) systems.

Three-fold importance

Is this another case of western industry getting it wrong, by jumping into a market just as the Japanese are pulling out? Not really. Though the horizons well beyond con-sumer electronics, they are far from abandoning the activity. On the contrary, they acknowledge that it remains an indispensable weapon in their industrial arsenal.

Its importance is three-fold. First, the high volumes and low margins which rule consumer electronics spur manufacturers constantly to new heights of efficiency and tech-nical ingenuity. The experience gained is of immense value in the design and manufacture of many other products, even those made in small

Second. consumer products are huge users of semiconductors, particularly of inexpensive standard devices such as DRAMs. One reason the Japanese dominate the world DRAM market is that their in-house microchip activities have been underpinged by demand from their consumer electronics operations.

Third, the mass-production methods pioneered in consumer electronics are increasingly being applied more widely to create new markets. Japanese manufacturers have brought photocopiers, computer printers and facsimile machines to a much larger public by turning them into low-cost commodities, afforda-ble out of disposable income.

However, the industry is notoriously unforgiving. It requires a regular flow of "hot" new products to whet customer appetites. Yet the speed with which successful innovations can be copied invites fierce competition, which keeps profits on many items exceedingly slender. The cost of developing new products is constantly rising, while the industry is particularly

prone to excess capacity.

In these respects, consumer electronics has much in common with semiconductors. Both activities have a multiplier effect, generating spin-offs which transcend their direct economic importance.
These benefits can be captured
only through a whole-hearted
commitment, not by dickering around on the margins. Yet on any risk-return calculation

they look unappealing as busi-ness propositions. On industrial and technical grounds, the born-again con-version of many Western companies to consumer electronics may have a compelling logic. Persuading their shareholders to share their enthusiasm is likely to be quite another mat-

Guy de Jonquières

have of a romantic

side to Mr Mariano Rubio Jimenez, the Governor of the Bank of Spain, is that he spirited his fiancée off to Vienna late last year to get married.
Although the Governor is sometimes given, in summer, to wearing a loud cream suit, he is a serious, almost imperi-ous, man. Mr Rubio represents

a triumph for consistency in a country where many institu-tions, including the Bank, have been buckled and bent beyond recognition in the last 20 years.
When he joined the Bank,
Franco was still appointing puppet governors in close con-sultation with the old commercial banking families that toad-ied to him. After the advent of democracy and through the subsequent banking crisis, Mr Rubio was passed over as governor when a younger and less

experienced man was appointed over his head. But his knowledge of Spanish banking, added to his close association with senior figures in the now governing Socialist Party, eventually won out. He has since greatly strengthened the Bank's role.

Today Mr Rubio, 58, is the most effective weapon in the Government's efforts to wrestle inflation and to stop Span-iards spending more than they earn. Now that control over Spanish monetary policy has finally been won by the Bank, Mr Rubio is exercising the influence he has worked so long to achieve.

For more than a year, in the face of considerable Cabinet scepticism, he argued openly for the peseta to be placed into the exchange rate mechanism of the European Monetary Sys-tem. Last month he won. But he growls at criticism that he should have waited for infla-tion to fall from 7 per cent before subjecting the currency to EMS discipline. "I don't believe you enter the EMS only when there are no more problems," he says. "That's why the system exists - to help us

with problems."

He joined the Bank of Spain in 1965 – after two years as the first Spaniard in the OECD in Paris and a stint in the Finance Ministry — as deputy of research. The department then had a staff of two and, politically, the Bank was one of the Franco regime's outsiders. Today the research department is the most powerful economic think tank in the country. Although Mr Rubio is associated with the so-called "beautiful people" who descend on Marbella in the summer, he has not had an exotic career. He has left the bank for only

two short periods. In 1970 he

THE MONDAY INTERVIEW

A triumph for consistency

Mariano Rubio, Governor of the Bank of Spain, speaks to Peter Bruce

accepted a senior job in the Finance Ministry and was criticised for supping at the Fran-coist table. He resigned after Burgos – where he was born – sentenced six Basque activists to death. Back at the Bank he was punished by being given little to do and he left again in 1973.

After Franco died in 1975. Mr Rubio went back and slowly helped build up the research department, hiring the best young economists he could find. Miguel Boyer, Prime Min-ister Felipe Gonzalez's first Finance Minister, worked in the research department. So did Carlos Solchaga, the present Finance Minister.

Mr Rubio claims he has never been interested in a political life. But like many

PERSONAL FILE 1931 Born, Burgos. Educated, University of Madrid 1960 OECD official

1965 Deputy chief, Bank of Spain research depart-

1970 Head of research department, Bank of 1970-71 Finance policy chief

at Treasury 1977 Deputy Governor, Bank of Spain 1984 Governor, Bank of Spain

students, he was linked to demonstrations against the dictatorship in 1956 and was sentenced to two years in jail. He and some friends had already fled Spain, however, and he benefited from one the pardons with which Franco marked each new papal reign. "The death of [Pope] Pius XII saved me," he remembers.

Is he now a member of the

governing Socialist Party? "An nglishman would never ask such a thing and, since you are English, I haven't received the question," he says. Party headquarters say he is not a memher. He none the less exercises greater power than most Euroean central bankers

Mr Rubio was deputy to Jose Ramon Alvarez Rendueles, more than 10 years his junior, during the post-Franco transition to democracy, which coincided with Spain's late adjustment to the 1973 oil shock. This was also a transitional period for the Bank, which won its independence as an institution and had to deal with the banking crisis which culminated in the dismantling of Mr Jose Maria Ruiz Mateos's Rumasa empire in 1983.

Bankers say it was Mr Rubio, the quiet insider, who ran the Bank during the crisis which laid bare the need for better supervision of the banking system. By 1984, when Mr Rendueles had served two terms, the new Socialist Gov-ernment had little choice but to nominate Mr Rubio to succeed him. The authority of the research department and his links with senior socialists have since made him near invulnerable.

Friends also say he works indecently hard. "He has been the key figure in our sector for 12 years," says Mr Luis Vals, chairman of one of Spain's big commercial banks, Banco Popular. "His strength is his information. He knows his stuff. He always knows more than we do." It was probably inevitable that the lines between research and supervision at the Bank would blur. With entry into the European Community in 1986 and the start of the boom, the Governor has become one of the economy's centre forwards. His independence, coupled with the need to intervene constantly in Spain's private bank-

ing, is part of his power. He is credited with having "placed" his choices at the top of Banco Hispano Americano and Banesto, two big commercial banks. Last year, during the attempted merger between Banesto and Banco Central, he

then to side with its opponents. Whichever the case, once he had remarked that boardroom

treats the banks with profound distrust and is ruthless when he wants to be. in January, after interest rate rises last summer falled to brake spend-ing, he forced banks which were borrowing cheap funds abroad to lodge 20 per cent of each loan with the central bank but still to pay interest on the total. He also pushed up bank reserve requirements, but inflation and spending contin-ued to rise. The Government chipped in three months later with some mild fiscal measures. Soon after that Mr Rubio won the EMS debate. Whenever we Spanish have

taken measures to open up our economy we have had tremen-dous success," he says. "What has happened is that rises in interest rates that in any other country would have produced a weakening of spending have not had that effect in Spain." The obligation to hold the peseta within its agreed 6 per cent band in the system gives him and the Bank even more muscle. Last month, in a co-ordinated swoop with the Finance Ministry, he raised reserve requirements even higher (by one point to 19 per cent and, worse, the reserves affected this time attract no interest) and extended them to a string of lucrative new banking products.

again. With private credit up 22 per cent this year, interest rates already touching 15 per

infighting over the merger in Banesto was "worrying", no one would have put money on the merger succeeding.

Although protective of Spain's banking system when challenged by outsiders, he

Days later, he was at it

cent for prime borrowers, the current account deficit heading mind the press attention his towards \$10bn instead of the \$8bn forecast, and year-on-year receives, he is nevertheless



'The death of Pope Pius XII saved me'

inflation at 7.1 per cent, Mr Rubio called leading bankers to his headquarters in the cen-tre of Madrid. He told them. quite simply, to stop lending so much money. They, equally quickly, promised they would. Why should he trust private bankers to stop doing what comes naturally? "It's a last resort and we don't like doing it," he says, "but I'm sure the banks will comply. We have a lot of weapons at our disposal."

Bankers believe that. "When we (bankers) meet him he is always friendly," says Mr Vals at Banco Popular. "But at bot-tom he is very hard." Though Mr Rubio does not seem to

uncomfortable with the extent to which responsibility for lighting inflation has fallen on the Bank. We need a better the Hank. We need a netter balance between fiscal and monetary policy." he says, "though by its very nature fis-cal policy takes a long time to have an effect. Monetary policy will have to continue to play a decisive role in short-term poli-cy-making." The Government seems to

have got the message. The 1990 budget is expected to grow less than 10 per cent, after a 14 per cent rise this year. "It will be a very strict budget." Mr Rubio thinks, "very different from last year. It will make a clear contribution to reducing infla-

He will not say whether he

intends to stand for a third term as Governor. "I like the public service," he says, and the country's growing inpor-tance in Europe is bringing fresh challenges to the job. A supporter of the Delots report of sconomic and monetary union in the EC, he wor-ries that the UK may not join the full process. It would be a great pity if Britain stayed great pity if Britain stayed out," he says. "It would be very counterproductive." Does he think the EC would go ahead without the UK? "My personal impression is yes, they would," he says. Nowadays, the Spanish opinion is one worth listening to — a long way from the days when Bank of Spain governors emerged from Franco's ernors emerged from Franco's

Bright ideas for getting ahead in Poland

eturning to his native Poland after a 10-year hiatus earlier this year, Poland after a 10-year hiatus earlier this year, the film director Roman Polanski observed that where 10 years ago everyone talked about politics and culture, now everyone talks about money.

This is a complaint often heard

from the British intelligentsia. but in their case it is voiced as a prelude to criticism of the Prime Minister. Popular as she is here in Poland, she cannot bear the blame, or as she would put it take the credit, for Polish materialism. So where do we look?

First, though, is Polanski right? My impression is that he is. There must be 50 ways to make a killing in Poland now provided you have some ingenuity and cuts. They do take my provided you have some ingenuity and guts. They do take up much conversational time, precisely because a lot of information about new possibilities and theses has to circulate and because the staple of gossip is the passive talking about and disapproving of what the active are doing. They are also interesting in their own right real chess games of the mind and the nerves. Here are some of the ways:

ways:

Put an advertisement in the newspaper to rent your flat for dollars. Since there is a chronic collars. Since there is a chronic shortage of accommodation — for example for employees of foreign companies, for office space and so on — you are in a seller's market. Having found a tenant, move in with your parents. In three years you can buy a Mer-

Order a new car from Polmoz-Order a new car from Polmozbyt, the state supplier. (You will have to wait about 10 years.) When you are finally assigned it, offer it for sale at twice the state price. You will get it, in dollars. Persuade the state or a cooperative to rent you a shop. Form a "joint venture" with a Western supplier: he ships the products, you sell them, for dollars. You should have a Mercedes in two years.

years.

Open a co-operative shop—say, a laundry. Wait until someone wanting to open a "joint venture" shop offers to rent it. Refuse to rent it until he makes no higher offer. Rent it to him. The co-operative need never work again.

Persuade your local municipal

Persuade your local municipal housing office to rent or sell you the attic floor of the old-style flat blocks which are customarily empty, used for drying the tenants' clothes. (This will mean bribery of the officials and the tenants.) Have a super penthouse apartment built. Sell it for \$100.000, the current market rate. You need never work again and you can drive a Mercedes.

Answer an advertisement in you can drive a mercedes.

● Answer an advertisement in the newspaper, placed by a "joint venture" company, asking for the use of your hard currency account — because, like everyone else, it hasn't enough of its



Eastern Europe Notebook

own. At the company's request

buy, for example, a tonne of chemicals in West Germany. chemicals in West Germany.
Give it to your mother-in-law.
(Thus fulfilling a popular fantasy
of what you would most like to
give your mother-in-law.) The
company then buys the chemicals from your mother-in-law.
She declares this as a gift, and pays only 20 per cent tax on part of its value (which the company also pays). You get a large comalso pays). You get a large commission from the company and continue in business. You need never work again, and you provide endless amusement for the tax officials as well as being a good son- or daughter-in-law.

All of these bright ideas are currently being practised in Poland, and they are only a fraction of the whole. Poles are now the traders of East-Central Europe — turning up in their

tion of the whole. Poles are now the traders of East-Central Europe — turning up in their battered little Polski Fiats and Polonezes from West Berlin to the Soviet-Hungarlan border, wherever a deal can be done with currency and commodities.

As more and more people realise that Polish money prices are absurdly cheap to foreigners changing their dollar for 2s 5,000-6,000 (so that a long taxi ride could cost 50 cents, a full, if bad, meal for two cost \$1), so the prices are jacked up. I had a long and heated argument with a taxi driver in pidgin German over a fare for which he wanted \$5. It was a snip by Western European or US standards, a terrible rip off for Warsaw. He appealed not to any yardstick of fairness or reasonable remuneration for his labour, but to the fact that I was a foreigner and thus rich ("Das ist inchts fur Sie.") Polanski probably met the same man.

Swinging about in the vicious eddies and tides which run between the abandoned command economy and the unattained market economy. Poland between the abandoned com-mand economy and the unat-tained market economy. Poland offers opportunities, largely, only for activities which had been ille-gal black marketeering and are now mainly legal but retain the same form as before — that is, they operate in the area between regulation and market, an area

which is by far the most dynamic and profitable but which makes wealth directly only for a few and produces no commodities and few services.

The mute millions in the meat

queues, the slovenly workers in the decaying plants and delayed construction sites, the oppressed women picking through lines of state-produced clothes which state-produced clothes which look as if they have been cut with an axe and sewn with a stapler – are mostly left out of this and as yet have found, or have been given, no way in.

As another general puts together another government on the rules of a former government.

together another government on the ruins of a former government which had been billed, less than a year ago, as uniquely capable of stimulating Polish creativity and enterprise, he must be aware of how much latent hostility is in the present political silence, how shallow the roots of the market presently are how upported and presently are, how uprooted and withering are the never-sturdy plants of Polish communism. As far as one can tell, the evi-

As far as one can tell, the evident materialism of the Poles is their own creation: "own" in the sense that this European nation has increasingly realised how badly off it is compared to the West and, since the collectives endeavour to catch up has so clearly and self-confessedly failed they are speking to each failed, they are seeking to catch up individually — as they can pell mell, devil take the hind-most, Communists and Solidarity members, intellectuals and art ists, peasants and taxi drivers.
It is possible that this is to

It is possible that this is the only way in which the market can begin in a former command economy — that over time, these semi-shady transactions become more general and more wide-spread; that the benefits trickle out; that foreign capital, bit by bit, colonises the crumbling heights of Polish industry and

heights of rollsh industry and finance.

In my view, the foreign capitalists should get here quick. The energy and inventiveness shown by Poles in exploiting the opportunities offered for money-making within the decay of the planned state proves them to be a new reservoir of personnel for another cantialist surger the Janancher cantialist surger another capitalist surge: the Jap anese (class of 1950) of Europe. It may be objected that the Poles lack the Japanese work sthic and are over-prone to stri-king. Remember that Japanese workers were regarded as slipworkers were regarded as slip-shod and militant in the 1950s, and it took private (gangster) armies and the state to stamp out the influence of communism and socialism on the Japanese working class. In that sense Poland is ahead: the influence of communism is being effectively and more sentily stamped out by and more gently stamped out by the Polish United Workers (Communist) Party. Dialectical materialism is yielding, as rapidly as it is able, to frank materialism. And if Polanski doesn't like it let him get back to Hollywood.

John Lloyd

NOTICE OF REDEMPTION To the Holders of

A/S Eksportfinans

13%% Sinking Fund Debentures Due 1992 CUSIP No. 282645AA8*

NOTICE IS HEREBY GIVEN, pursuant to the provisions of the Indenture dated as of June 15, 1982, as supplemented (the "Indenture"), between A/S Eksportfinans and United States Trust Company of New York, Successor Trustee (the "Trustee"), that \$60,000,000 principal amount of A/S Eksportfinans 13%% Sinking Fund Debentures Due 1992 (the "Debentures") has been selected for redemption on September 1, 1989 at a Redemption Price equal to 100% of the principal amount thereof in accordance with the Sinking Fund provided for by the terms of the Debentures and as specified in Section 1203 of the Indenture. The following are the serial numbers of the Debentures which will be redeemed in whole or in part:

The certificate numbers of the Bearer Debentures in the principal amount of \$5,000 bearing the prefix C to be redeemed in whole:

The certificate numbers of the Registered Debentures in the principal amount of unlimited bearing the prefix R to be redeemed in whole or in part:

Subject to the receipt of required funds by Bankers Trust Company as Paying Agent, the Debentures or portions thereof so designated for redemption will become due and payable, at 100% of the principal amount thereof, upon presentation or surrender thereof, on or after September 1, 1989 at the office of Bankers Trust Company, Corporate Trust and Agency Group, 123 Washington Street, First Floor, New York, New York. If by mail, the Debentures should be sent to Bankers Trust Company, Corporate Trust and Agency Group, P.O. Box 2579, Church Street Station, New York, New York 10008 or in either such case to Bankers Trust Company, London, subject to any applicable laws or regulations in the country where the office is

On and after September 1, 1989 interest on the Debentures or portions thereof so designated for redemption will cease to accrue. Payment of the registered interest due September 1, 1989 will be made in the usual manner. Redeemed bearer Debentures should be presented with all coupons maturing after September 1, 1989. Coupons maturing on September 1, 1989. and prior thereto should be detached and surrendered in the usual manner. Upon presentation for redemption of Debentures which are to be redeemed in part only as above specified, a new Debenture of said 13%% Sinking Fund Debentures Dire 1992 of a principal amount equal to the unredeemed portion of each such Debentures, will be issued in lieu thereof.

A/S Eksportfinans By: United States Trust Company of New York, the Trustee

Dated: July 31, 1989

IMPORTANT TAX INFORMATION Please read this notice carefully

Under Federal income tax law, paying agents may be required to withhold 20% of payments to holders presenting their Debentures for redemption or for payment at maturity if such holders have failed to furnish a taxpayer identification number to the Paying Agent certified to be correct under penalties of perjury (or that such holder is awaiting a taxpayer identification of the Paying Agent certified to be correct under penalties of perjury (or that such holder is awaiting a taxpayer identification). number). Certification may be made to the Paying Agent on a Letter of Transmittal obtained from said Paying Agent, which should be completed and returned with the called Debentures.

*This CUSIP number has been assigned to this issue by Standard & Poor's Corporation, and is included solely for the convenience of the holders. Neither A/S Eksportfinans nor the Trustee shall be responsible for the selection or use of this CUSIP number, nor is any representation made as to its correctness on the Debentures or as indicated in any redemption potics.

